Technocracy and the Market

World Bank Group Technical Assistance and the Rise of Neoliberalism

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Declaration

This thesis in its entirety is my own original work. While members of academic staff and fellow PhD candidates gave feedback, the materials included, the argument constructed, and the ideas presented are my own.

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24 September 2013
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Abstract

This thesis analyses the provision of technical assistance by the World Bank Group (the Group) from 1946 to 2010. Technical assistance concerns the transmission of knowledge and practices to encourage economic growth. Starting from the ontological position that “development” is merely a series of normative positions that change over time and that are dependent upon the worldview of the observer, it argues that Group technical assistance has helped to construct, project, and legitimise particular development “truths”.

Drawing upon literature from within the discipline of International Political Economy, this analysis regards technical assistance as a form of power whereby exercising actors are able to persuade others and define structures in such a way as to make particular understandings appear as common sense. The use of “soft” technical assistance to build institutional and human resource capacity during the neoliberal era – built through policy reform, management selection, and personnel training – became a means to persuade recipients of the alleged legitimacy of market-led development.

An institutional study, this work contextualises the growth and evolution of Group technical assistance in terms of crises in the world economy, shifting intellectual movements in academic and policy circles, and changes in the mission, organisational structure, and leadership of the Group. The Group is thus a shaper of and is shaped by the mainstream development discourse – the orthodox conceptualisation of the economic, political, social, and environmental “improvement” of developing countries. The thesis concludes that Group technical assistance has been able to reinforce particular “truths” through its allegedly scientific, objective, and value-neutral nature dissuading challenges to the prevailing orthodoxy. This thesis contributes to academic discussion by analysing the persuasive ability of Group technical assistance to convince recipients of the necessity of accepting and adopting particular development “truths” that are far from objective or value-neutral.
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Acronyms

ADB  Asian Development Bank
AfDB  African Development Bank
CDF  Comprehensive Development Framework
CGIAR  Consultative Group for International Agricultural Research
DPL  Development Policy Loan
EBRD  European Bank for Reconstruction and Development
EDI  Economic Development Institute
ESW  Economic and Sector Work
FDI  Foreign Direct Investment
FIAS  Foreign Investment Advisory Service
GDN  Global Development Network
GDLN  Global Development Learning Network
GFC  Global Financial Crisis
IADB  Inter-American Development Bank
IBRD  International Bank for Reconstruction and Development
ICSID  International Centre for Settlement of Investment Disputes
ICT  Information and Communication Technology
IDA  International Development Association
IDF  Institutional Development Fund
IFC  International Finance Corporation
IMF  International Monetary Fund
IPAnet  Investment Promotion Agency Network
IPE  International Political Economy
KBE  Knowledge-Based Economy
MIGA  Multilateral Investment Guarantee Agency
NLTA  Non-Lending Technical Assistance
OED  Operations Evaluation Department
OPEC  Organisation of Petroleum Exporting Countries
PAS  Policy and Advisory Services Department
PPI  Private Sector Provision of Infrastructure
PPF  Project Preparation Facility
PPIAF  Public-Private Infrastructure Advisory Facility
PRSP  Poverty Reduction Strategy Paper
RIPE  Review of International Political Economy
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<thead>
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<th>Acronym</th>
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<tbody>
<tr>
<td>SAL</td>
<td>Structural Adjustment Loan</td>
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<td>SDR</td>
<td>Special Drawing Right</td>
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<tr>
<td>SECAL</td>
<td>Sectoral Adjustment Loan</td>
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<td>SPPF</td>
<td>Special Project Preparation Facility</td>
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<td>TAL</td>
<td>Technical Assistance Loan</td>
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<td>TATF</td>
<td>Technical Assistance Trust Fund</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>UNSF</td>
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Chapter One

The Technical Side of Development Truths

On 6 October 2009, then World Bank President Robert Zoellick delivered an address to his Board of Governors in Istanbul, Turkey. In this speech, he emphasised the importance of “knowledge products” as a driver of global development. Specifically, Zoellick argued that the World Bank knew what development was and how to achieve it. In his words, the World Bank “is a repository of global best practice in development, combining implementation experience, research, and learning, drawing on both public and private sectors” (Zoellick, 2009, 8). Noting that its member countries were looking to the World Bank to “connect and customise” knowledge and innovation, Zoellick was suggesting that the strength of the World Bank resided in not only its lending operations, but also its intellectual output and leadership of global initiatives; its strength was its developmental “truths”.

Technical assistance epitomises the knowledge products of the World Bank. This thesis argues that World Bank technical assistance has helped to construct, project, and legitimise particular development “truths” by persuading others and defining structures in such a way as to make particular understandings appear as common sense. The thesis concludes that technical assistance has been able to reinforce particular “truths” through its allegedly scientific, objective, and value-neutral nature dissuading challenges to the prevailing orthodoxy. This study contributes to academic discussion by analysing the persuasive ability of technical assistance to convince recipients of the necessity of accepting and adopting particular development “truths” that are far from objective or value-neutral.

“Development” – of peoples, societies, or economies – is one of the most debated ideas in all of the social sciences. Its controversy arises from it being a creation, an interpretation of the betterment of human life, a means to construct social reality. Not an absolute or universal truth, it consists merely of a series of normative positions that change over time, each reflecting particular worldviews. A secular product of the Age of Enlightenment and intimately linked to the Western philosophical tradition
of modernity, the development orthodoxy is concerned with perfectibility – the good life, the idealised society, and the paths to achieve both. Attuned to this are biological ideas of organic growth: an unstoppable, irreversible process whereby the infantile, the backward, and the incomplete become steadily more complex, mature, and fully formed (Hettne, 1995; Rist, 1997; Shanin, 1997; Peet and Hartwick, 2009). As a result, much of the mainstream discourse on national development has been dominated by the view that the transition from a traditional agrarian society to a modern industrial society is natural and desirable. This requires more than material change. It demands an attitudinal shift in the psychological base of society.

International development assistance, or aid given to support the economic, political, social, and environmental “improvement” of developing countries, has been and remains aligned to the notion that development is a natural progression from one stage of being to the next. A relatively recent phenomenon, its nascent Golden Age arose in the wake of the Second World War through the establishment of the United Nations system. During this period, the American New Deal and the Marshall Plan underpinned aid, and it was premised upon a belief in the dignity of human life and the conviction that developed countries held a moral responsibility to assist the developing (Islam, 1959; Lancaster, 2000; Thérien, 2002; Sobis and de Vries, 2009). This altruistic rhetoric was overtaken in practice however by the ideological and geopolitical antagonisms of the Cold War. The newly independent former colonies of Western empires, now collectively known as the developing world, were torn between the dichotomy of liberal capitalist democracy and Soviet Marxism-Leninism (Payne and Phillips, 2010, 56).

The foundations of Cold War international development assistance were established in the “Four Point Program” announced by American President Harry Truman during his Inaugural Address on 20 January 1949. Preceded by the containment systems of the Truman Doctrine and the Marshall Plan, the latter of which saw the provision of US$13 billion to assist post-war European reconstruction, which validated the transfer of resources as an aid mechanism, the Four Point Program ‘inaugurated to “development age”’ (Rist, 1997, 71). Truman was clear in articulating his Cold War mentality:
First, we will continue to give unfaltering support to the United Nations and related agencies, and we will continue to search for ways to strengthen their authority and increase their effectiveness ... Second, we will continue our programs for world economic recovery ... Third, we will strengthen freedom-loving nations against the dangers of aggression ... Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas ... [We] should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realise their aspirations for a better life (Truman, [1949] 1989).

Truman’s bold new program not only rallied liberal capitalist democracies (“freedom-loving nations”) against Soviet Marxism-Leninism (the “dangers of aggression”), but also argued for the provision of financial and technical assistance to enable the developing world to follow the development paths long since trod by the developed. As such, from its first incarnation, the mainstream development discourse – the orthodox conceptualisation of economic, political, social, and environmental “improvement” – presumed guidance by the developed world. It was in pursuit of this bold program that the World Bank Group (the Group), the International Monetary Fund (the IMF), and the agencies of the United Nations gained worldwide influence.

Throughout the 1950s and 1960s, the Four Point Program was realised in modernisation theory. Drawing upon the intellectual legacies of Emile Durkheim and Max Weber (Webster, 1984), the modernisation framework held to the presupposition that development followed a common path for all. Developing countries simply had further to travel along that path. To become developed, political institutions, economic systems, social structures, and human attitudes had to transition through a series of stages (Hettne, 1983, 249; Berger, 1994, 260-261; Handelman, 2000, 12). While today discredited in its original form, modernisation theory retains the belief that development entails becoming a mirror of what developed countries already are, homogenising the developing world (Schuurman, 2000, 8-10).

Modernisation theory, as championed by economic historian Walt W. Rostow in The Stages of Economic Growth: A Non-Communist Manifesto (1960), saw development as a linear process, whereby the developing world had
only to follow chronological stages of development in order to advance from the traditional to the modern (Rostow, 1960). Importantly, this non-communist model evolved from the Western desire to contain the perceived influence of Soviet expansionism, seen as a response to the emergence of the Cold War ideological conflict (Alacevich, 2009, 3). Rostow devised a five-stage process through which traditional agrarian societies, applying scientific innovation to agriculture (increasing per capita output, thereby raising the available capital for reinvestment), redirect societal orientation towards capitalist endeavours, until the newly modernised capitalist societies are focused on mass consumption rather than production (Rostow, 1960; Hout, 1993). With heuristic dichotomies forming its base – traditional/modern, undeveloped/developed, and infantile/mature, Rostow phrased his five stages as the traditional stage, the preconditions to take-off stage, the take-off stage, the drive to maturity stage, and the age of high mass-consumption stage. The path to development thus led to capitalism.

Concluding that modernisation theory derived from the Weberian tradition, Daniel Chirot and Thomas Hall argued that the Rostowian orthodoxy, as a product of the Cold War conflict, saw national and economic development as a Western-ideological, pro-capitalist vision of societal progress (Chirot and Hall, 1982, 81-82). It thus appealed to Alexander Gerschenkron’s famous assertion that all development paradigms are ‘dominated – consciously or unconsciously – by the grand Marxian generalisation according to which it is the history of advanced or established industrial countries which traces out the road of development for the more backward countries’ (Gerschenkron, 1962, 6). The modernisation framework therefore held to the belief that the “improvement” of the developing required their mimicry of the developed.

As a side note, the Rostowian orthodoxy was but one perspective, an economic observation, as the modernisation framework was an umbrella label covering numerous fields of enquiry. David Apter (1965) identified democracy, good governance, and efficiency as key political elements of modernity, David C. McClelland (1961) emphasised innovation and the personal striving for betterment, and Alex Inkeles and David D. Smith (1974) surveyed the socio-psychological nature of “modern man”, focusing on individual autonomy, goal setting, and a faith in science and medicine.
While maintaining its ideological hegemony over the past several decades, modernisation theory has not been without its critics. The main voice countering its orthodoxy came from the Marxist-inspired dependentistas of dependency theory, a diverse set of opinions that criticised the modernisation framework as suffering from historical and geopolitical amnesia (Frank, 1967; dos Santos, 1968; dos Santos, 1970; Amin, 1974; Cardoso and Faletto, 1979). Dependency theorists argued that patterns of development and underdevelopment, rather than isolated from international influences, are relative to the structural position of countries within the global capitalist system (Petras, 1981). Differing from being undeveloped, underdevelopment concerned a situation of limited growth whereby the “periphery” developed along lines beneficial to surplus extraction by the “core”. As interpreted by Theotonio dos Santos, this is a ‘situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected’ (dos Santos, 1968, 6). Rising as a response to the Rostowian orthodoxy, the dependentista movement was encouraged by the 1959 Cuban Revolution as the overthrow of the American-backed regime of General Fulgencio Batista demonstrated the possibility of rejecting the Western hegemonic consensus.

Reminiscent of Leninist theories of imperialism, the dependentistas argued that countries within the periphery cannot become agents of their own development as they lack the ‘resources to choose alternative ways of responding to the constraints impinging upon them from the international environment’ (Kaufman, Chernotsky and Geller, 1975, 304); the periphery is incapable of economic growth due to its structural dependence upon the core (Chilcote, 1974, 13). Celebrated dependentista Andre Gunder Frank articulated the classic dependency framework, arguing that through the acts of conquest and colonisation, the core exploitatively extracts surplus from the periphery, supplementing the economic development of the core at the expense of the underdevelopment of the periphery (Frank, 1975, 441-442).

These assumptions owed much to the structuralist position of Raúl Prebisch, Chief Officer of the United Nations Economic Commission to Latin America from 1948 to 1963. In The Economic Development of Latin America and Its
Peripheral Problems (1950), Prebisch argued that the underdevelopment of Latin America resulted not from domestic flaws (as in the Rostowian view), but rather its unequal exchange relations with the developed world (cited in Love, 1990, 145-146). Responding to these exchange relations required a revision of the international division of labour, not the domestic institutions and mindsets of developing countries (Emmerij, 2006). In contrast to the Rostowian orthodoxy, dependency theory prescribed dirigisme, a strategy of import-substitution, state intervention in financial and labour markets, a reliance on state-owned enterprises and state planning, and, in some extreme variants, anti-capitalist isolationism (Islam and Chowdhury, 2000).

World-systems theory inherited the mantle of the dependentistas, arriving first in the work of Immanuel Wallerstein. Providing a macrosociological analysis of the historical interdependency of the core, the periphery, and (a new zone) the semiperiphery, world-systems theorists argued that a hierarchical international trade-based division of labour linked these three zones (Wallerstein, 1974a; Wallerstein, 1979). In world-systems theory, the main units of analysis are world-systems, defined as ‘units with a single division of labour and multiple cultural systems’ (Wallerstein, 1974b, 390). Within the capitalist world economy, or the “modern world-system”, the single division of labour is the stratification of the core, the periphery, and the semiperiphery into linked chains of commodity production, while the multiple cultural systems are territorially bounded, legal-political units, or states. Despite these refinements, the dependentistas and world-systems theorists came to similar pessimistic conclusions of capitalist development.

Notwithstanding that the modernisation framework has been exhaustively critiqued, the mainstream discourse on development assistance remains framed in terms of societal progress towards modernity. As Arturo Escobar argued, mainstream conceptualisations of development cannot be separated from Western political, economic, and social values (Escobar, 1992, 21-23), which have been institutionalised through the technocratic hierarchies of international agencies (i.e., the Group, the IMF, and the United Nations) (Escobar, 1988, 430-432). The discourse remains embedded in the rhetoric of a single path to development. Be it through economic growth, industrial
expansion, or socio-political reformation, the transition towards becoming “developed” persists today in reflecting the Western philosophical tradition.

It is for this reason that international development assistance has long been the subject of critical discussion. The concern lies not just in its focus on the emancipation of those peoples oppressed by inequality, but also that it holds to particular understandings of what constitutes the “improvement” of developing countries, prescribing the pursuit of particular development paths in order to realise those understandings. Given the contention that development is a creation and an interpretation, critical discussion has often focused analysis on the construction of development “truths”. The Group, as the largest non-state actor actively promoting international development assistance, has attracted significant discussion over the past six decades.

**Research Focus and Research Question**

This thesis analyses the evolution of Group technical assistance from 1946 to 2010, starting from the ontological position that development is not a singular “truth”, but rather a series of normative positions that depend upon the position of the observer. An institutional study, it contextualises the growth of technical assistance in terms of crises in the world economy, shifting intellectual movements in academic and policy circles, and changes in the mission, organisational structure, and leadership of the Group itself. By doing so, this thesis explores the controversial role the Group has played in constructing, projecting, and legitimising the mainstream development discourse, framing what constitutes and the best practices required to achieve the economic, political, social, and environmental “improvement” of developing countries. Building upon its ontological base, this thesis analyses how Group technical assistance has served particular development “truths”.

Laïla Smith, commenting that technical assistance has largely regarded the development puzzle as a workable mathematical problem requiring nothing but the application of the correct algebraic formula, argued that a review of 'technical assistance as a medium for the exchange of knowledge reveals a distinct hierarchy of just what kind of knowledge is promoted and demoted’ (Smith, 2008, 238). Similarly, Arturo Escobar remarked that development
agencies like the Group have institutionalised and professionalised particular understandings of development, notably through technical assistance (see Escobar, 1988; Escobar, 1992; Escobar, 1995; Escobar, 2004). This thesis, neither praising nor rebuking the Group, analyses its creation of particular “truths” through its technical assistance. Two reasons prompt this analysis.

First, as Susan George and Fabrizio Sabelli argued, the Group itself requires critical analysis for it is a ‘modern version of what the pioneer sociologist Marcel Mauss called the “total social phenomenon” (le fait social total)’ (George and Sabelli, 1994, 247). Over its history, the Group has grown far beyond its beginnings as a development bank. Its reach today pervades all realms of society, concerning itself with matters economic, political, social, and environmental. It has become an international development institution, capable of influencing development theory and practice. The Group requires critical analysis for this reason, as well as for the sheer volume of financial assistance it provides to its member countries, its vast accrued knowledge base, and its staffing of the crème-de-le-crème of development economists (de Vries, 1987; Kapur, Lewis and Webb, 1997a; Gilbert, Powell and Vines, 1999; Mukherjee, 2008; Clements, Chianca and Sasaki, 2008). Richard Peet and Elaine Hartwick argued that development ‘is the founding belief of the modern world. Progress has long since replaced God as the icon of our age’ (Peet and Hartwick, 1999, 1). If this is correct, then the Group has become the altar upon which the devout rely for answers to the development puzzle.

Second, the distinguishing feature of the Group vis-à-vis other development agencies is its provision of technical assistance, which involves ‘not only advice on how to design and implement a specific project, but also more general advice on how to run one’s economy’ (Neu, Gomez, Ponce de León and Zepeda, 2002, 282-283). Academic and policy circles have increasingly recognised the provision of technical and advisory services as the sine qua non of successful development, financial assistance alone no longer being the decisive element. It is the bundling of knowledge to finance that makes it effective, forming a dialogue between lender and borrower, between the Group and its member countries (Lateef, 1996; Rajan, 2008). In extension of this, it has been noted that the Group’s ‘technical expertise has been vital to its independence and legitimacy’ (Woods, 2000, 139). Yet, given that
development is fundamentally about changing how people conduct their lives, and the very claim to technical knowledge is itself a political act’ (Cooper and Packard, 1997, 18-19), technical assistance, as a microcosm of the claim that development is a constructed idea, demands critical analysis.

Since the early 1970s, Group technical assistance has evolved in design and purpose, gaining increasing importance as a central instrument in the rubric of its development services. Symptomatic of the turn towards policy-based lending and neoliberalism, technical assistance has become an institutional cornerstone. In the words of the Multilateral Investment Guarantee Agency Annual Report 2008, one of the Group’s ‘greatest assets is its cumulative “brain trust” of knowledge and experience. Tapping and applying this knowledge in better ways, to elicit better development outcomes, is one of [its] most important tools – and challenges’ (MIGA, 2008, 16). Similarly, Research for Development: A World Bank Perspective on Future Directions for Research (2010) held that ‘knowledge is at the heart of the World Bank’s comparative advantage as a development institution’ (World Bank, 2010c, 2). The rise in importance of technical assistance has thus mirrored the growth of the Group’s ability to influence development theory and practice.

Technical assistance has endured a slow conceptual evolution alongside the changing internal and external dynamics affecting the Group. Its nature has altered along with its evolving mission, from ensuring the technical quality of lending operations to changing the economic and political structures of societies. As such, no single definition can easily encapsulate its history. For example, Channing Arndt remarked that it ‘is a bit like poverty; difficult to define, but one knows when one sees it’ (2000, 158). Likewise, Edward Mason and Robert Asher concluded some forty years ago that ‘technical assistance from the Bank Group is whatever the Bank says it is’ (Mason and Asher, 1973, 295). Despite these handicaps, a concise definition is possible.

The Technical Assistance Review Task Force 1991 provided the seminal definition of Group technical assistance, a definition adopted by this thesis: the ‘transfer or adaptation of ideas, knowledge, practices, technologies, or skills to foster economic development’ (cited in McMahon, 1997, 2). Whether provided as a component of a development program, as a stand-
alone project, or as an advisory service (including consultancy work, feasibility and pre-investment studies, survey missions, training seminars, research publications, and online websites), the value of technical assistance is found *practically* in its impact as a development tool and *rhetorically* as a legitimising agent rationalising chosen development paths.

Therein is the importance of technical assistance to critical discussion. As it holds the potential to transform societies far beyond simple investment, as the transfer and adaptation of ideas, knowledge, practices, technologies, and skills arguably leads to the normative reconceptualisation of what constitutes the improvement of developing countries, as well as what paths must be followed, technical assistance demands thorough critical discussion.

This thesis charts the evolution of Group technical assistance from 1946 to 2010 to analyse its role in creating development “truths”. Beginning with the hypothesis that it validates the mainstream discourse through its implied scientific, objective, and value-neutral nature dissuading challenges to the prevailing orthodoxy, this thesis poses the following two questions: *Has Group technical assistance contributed to the construction, projection, and legitimisation of the mainstream development discourse? If so, how?*

In *Meditationes Sacrae* (1597), Thomas Bacon coined the Latin maxim *ipsa scientia potestas est* ("knowledge itself is power") (García, 2000, 110). As a microcosm of the claim that development is a constructed idea and that the provision of development knowledge is inherently premised upon particular understandings of how to improve countries, Group technical assistance has played a role in constructing, projecting, and legitimising the mainstream development discourse. It has achieved this for it is a subtle and effective mechanism for persuading recipients of the authority of its ideas given its implied scientific, objective, and value-neutral nature dissuading challenges. Knowledge is power, particularly when its validity appears beyond question.

This is the contribution of this thesis, as a review of a largely uncharted field in a well-documented history. This is not to say that academia is devoid of such analyses. Rather that the approach of this thesis is unique in providing a comprehensive narration of technical assistance. As an institutional study,
analysis is limited to the Group’s creation of development “truths”. It avoids the successes and failures of the implementation of technical assistance in its member countries. This thesis thus offers a potential jumping-off point for future research seeking to evaluate the impact of technical assistance.

**Technical Assistance**

Technical assistance is not a new idea. Although its employment since the Second World War has undergone a dramatic conceptual evolution, there are examples of its provision dating back centuries. Peter the Great contracted French engineers to build St. Petersburg during the seventeenth century, Japan sought assistance from the United States and Europe to industrialise during the Meiji Restoration, and the Western colonial powers sent survey missions to Africa, Asia, and the Americas during the mid-nineteenth century (Johnston, 1991, 155-159; Morgan, 2002, 1). As a more colourful historical example, Leonardo da Vinci was commissioned in 1506 by the French Governor of Milan, Charles d’Amboise, to conduct ‘a feasibility study with regard to linking Milan to Lake Como by way of a navigable canal that would also provide the city with fresh water’ (Strathern, 2010, 374).

It was not until the establishment of the United Nations system however that technical assistance became oriented towards development assistance, modernisation, and the transference of “manpower aid”, delivered first to emancipated colonial territories (Dufty, 1967; Kim, 1986; Colcough, 1992). President Truman’s Four Point Program gave this impetus, particularly the call for making ‘available to peace-loving peoples the benefits of our store of technical knowledge’ (Truman, [1949] 1989). From the late 1940s onwards, more was required than simple investment. To become “modern”, the developing world had to adopt the ideas of the developed (Bleloch, 1957; Wilson, 2007). The following paragraphs examine the provision of technical assistance by the Group, the IMF, and the four regional development banks.

**The World Bank Group**

Ever since the commencement of its lending operations in 1947, the Group has used technical assistance. This is curious since no terms for its use are
listed in the *Articles of Agreement* establishing the main Group institutions: the International Bank for Reconstruction and Development (the IBRD), the International Development Association (the IDA), and the International Finance Corporation (the IFC). Yet, as early as the *Third Annual Report to the Board of Governors, 1947-1948*, published by the IBRD, it was argued that ‘successful development depends in most cases just as much upon the provision of technical assistance from abroad as upon the availability of foreign capital’ (IBRD, 1948, 18). It was not until the collapse of the Bretton Woods monetary regime in the 1970s however that technical assistance began to evolve markedly. Symptomatic of the dual shifts towards policy-based lending and neoliberalism, both in part being consequences of the collapse, technical assistance transformed from “hardware” to “software”.

Prior to the early 1970s, the Group mainly provided engineering-related hardware, or hard technical assistance: feasibility studies, engineering design, and construction supervision in the sectors of agriculture, education, industry, infrastructure, telecommunications, transportation, urbanisation, and water and sewerage. As a hypothetical, hard technical assistance would involve the assigning of engineers to supervise the construction of a dam or to determine the feasibility of constructing a dam. However, the conflation of the turn towards policy-based lending, the 1973 Oil and 1979 Oil Shocks, the onset of the 1982 Debt Crisis, and the neoliberal revolution spurred the transition towards institution-building software, or soft technical assistance: policy studies, management support, and institution and human resource development in the financial, governance, legislative, regulatory, and trade sectors. Replacing engineers were bureaucrats and economists, supervising the economic and political restructuring of member countries. First officially noted in the *World Bank Annual Report 1984*, the transition to software aligned technical assistance towards a more interventionist, macroeconomic brief, designed to support economy-wide growth (World Bank, 1984b, 64).

In sum, the distinction is one of purpose: hardware ensures the technical quality of lending operations, while software serves to restructure societies. The shift from hard to soft technical assistance was crucial to the Group legitimising particular development “truths” as software became a means to change institutions and mindsets. As an example, although software is not
necessarily neoliberal, the turn towards neoliberalism drove the growth of soft technical assistance from the 1980s onwards. Software thus became a mechanism for persuading others of the validity of neoliberal development.

This is not to suggest that hardware has disappeared, for indeed it remains common today. Rather, software has comparatively become more important to the Group, with institution building being pervasive since the neoliberal revolution. To illustrate, despite being far more difficult to use successfully (in terms of design, implementation, supervision, and outcome), software grew from being all but non-existent prior to the 1970s to account for nearly seventy percent of its portfolio by the 1980s (Wallace, 1990, 27-28).

Reviewed within and critiqued without, the shift from hardware to software led to a substantial decline in the success rate of technical assistance. To illustrate, a Group-sponsored study published in 2000 concluded that of all stand-alone technical assistance loans (TALs) provided by the World Bank (a collective term for the IBRD and the IDA) during the 1990s, only sixty-five percent were deemed successful (World Bank, 2000d). In contrast, hardware projects received success rates ten percent above that average.

From the broader literature, several prominent issues have been identified in regards to technical assistance (Lele, 1975, 72; Kim, 1986, 10; Wallace, 1990, 27-28; Colcough, 1992, 56-58; Mosley, 1992, 77-78; World Bank, 1993e, 92; Ridker, 1994, 79; White and Luttik, 1994, 87-88; World Bank, 1995b, x; Kapur, Lewis and Webb, 1997b, 758 and 1085; McMahon, 1997, 4-5; Arndt, 2000, 165; Smith, 2008, 238; Sobis and de Vries, 2009, 569):

- Technical assistance is often donor-driven, with little recipient input;
- Objectives (and consultants’ terms of reference) often lack clarity;
- Short-term support goals (measurable) often receive precedence over longer-term institutional development goals (indeterminate);
- The sensitive nature of economic policy and financial prescriptions can often lead to friction between the public and private sectors;
- Training programs are often insufficient (too complex and interim);
• Overreliance on temporarily appointed expatriate advisors often leads to antagonism, as even low-ranking expats receive salaries several times higher than domestic officials, leading to a lack of trust; and,
• Technical assistance can lead to “knowledge dependence”, whereby extending the scope of activity can move it beyond local capacity.

These issues reveal problems common to technical assistance, which arise even before the ideological assumptions of the transferred and adapted ideas, knowledge, practices, technologies, and skills are considered. They concern the tension between recipient needs and donor desires. Though aware of these issues, this thesis does not focus on them; a comprehensive analysis of six decades of success rates would be beyond the scope of this thesis. Instead, it seeks only to evaluate how Group technical assistance constructs, projects, and legitimates particular understandings and ideas. It is inconsequential whether technical assistance is successful or not, as even failed projects can communicate new ways of thinking about “development”.

The International Monetary Fund

The IMF, born alongside the IBRD at the 1944 Bretton Woods Conference, also makes technical assistance available to its member countries. However, in contrast to its sibling, it provides these services largely without fee. From the start of its lending operations during the 1940s until the end of the Cold War, its delivery of technical assistance was quite small, both in terms of the number of projects approved and the finances involved. In the 1990s however, its technical assistance program grew rapidly as the countries of the former Soviet Union joined its membership and as a response to a rapid rise in the number of financial crises afflicting emerging market economies.

A niche technical assistance provider, its advisory mandate is accredited to Article I(i) of its Articles of Agreement: ‘To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems’ (IMF, 2011). This mandate has come to include a focus on macroeconomic policy, stability, and structural reform, foreign exchange policy and systems, fiscal policy, tax policy, and revenue administration, the prevention of financial
crisis contagion, the formulation and implementation of growth-oriented and poverty-reducing schemes, and debt relief (Wilairat, 2011; IMF, 2005; IMF, 2008b). Staff missions, consultants, reports, training courses, and online websites are the main delivery methods of its technical assistance program. While complementing the Group, its focus is more on financial issues and it is less inclined to disseminate gathered information publicly (IMF, 2008a).

The Regional Development Banks

Similar to the Group, the Asian Development Bank (the ADB), the African Development Bank (the AfDB), the Inter-American Development Bank (the IADB), and the European Bank for Reconstruction and Development (the EBRD) all offer technical assistance to their member countries. Since the 2008 Global Financial Crisis (the GFC), they have increased their financial and technical assistance portfolios (Luna-Martínez and Vicente, 2012, 23).

Their technical assistance programs are quite similar to that of the Group, much more so than the IMF. The main difference between the four regional development banks and the Group is their respective regional focuses. The ADB has special interest in poverty reduction programs and the expansion of foreign trade (ADB, 2010). The AfDB instead focuses more on promoting sustainable economic development and social progress, as does the IADB (AfDB, 2011; IADB, 2010). The EBRD alternatively focuses more specifically on financial institutions, private enterprises, infrastructure, manufacturing, industry, transition programs, and corporate governance (EBRD, 2010). Nevertheless, the advisory services of the regional development banks are analogous to those of the Group, they arguably being smaller versions of it.

Theoretical Framework

The theoretical framework of this thesis synthesises the ideas of several scholars broadly situated within International Political Economy (IPE), a field the disciplinary boundaries of which have long been open to debate. This is because, unlike many other social science disciplines, its central trait has been its tendency towards interdisciplinarity and eclecticism. This has made it difficult to isolate a discrete strand that all agree embodies the discipline.
Acclaimed IPE scholar Susan Strange provided the seminal précis of this complexity in two oft-referenced commentaries, one published in 1984 and the other in 1991. In both cases, she enthusiastically compared IPE to the Old American Wild West. In 1984, Strange argued that at a time when the disciplinary boundaries of the social sciences were becoming steadily closed off, IPE resembled more a wide open range; ‘still unfenced, still open to all comers’ (Strange, 1984, ix). Several years later, Strange added that ‘the study of IPE would do well to stay as an open range, like the old Wild West, accessible ... to literate people of all walks of life’ (Strange, 1991, 33). What Strange was arguing, and what makes IPE so difficult to categorise, is that eclecticism is its strength. It has the capacity to analyse global issues without need to resort to a particular mindset. Anthropology, economics, geography, history, international relations, philosophy, political science, and sociology (or variations thereof) have all found homes in the “open range”.

For definitional purposes however, lines must be drawn. Turning to three recent textbooks, as the vanguard defining the discipline for academics and undergraduates alike, the following are different interpretations of the field:

IPE “is the study of the interplay between economics and politics in the world arena” (Frieden, Lake and Broz, 2010, 1);

IPE “is a field of enquiry, a subject matter whose central focus is the interrelationship between public and private power in the allocation of scarce resources” (Ravenhill, 2011, 21); and,

IPE “studies how politics shape developments in the global economy and how the global economy shapes politics” (Oatley, 2012, 1).

As per these understandings, IPE appears to be drawn between the political and the economic at the level of the global arena, offering understandings on wealth and power, states and markets, winners and losers. In theoretical terms, the mainstream debate has typically been divided between liberal, realist, Marxist, and constructivist approaches (Cohn, 2000; Verdun, 2003; Dunn, 2009; Frieden, Lake and Broz, 2010; Watson, 2011; Oatley, 2012).
Despite the above definitions, this thesis favours more the following opinion of IPE, as a field ‘defined by its systematic endeavour to understand and explain the patterns of development and change in the global political economy’ (Polychroniou, 1992, vii). An eclectic discipline, it endeavours to understand and explain these patterns by holistically integrating the social, political, and economic into their historical and intellectual contexts (Taylor, 1982; Gilpin, 1996; Maswood, 2000; Cohen, 2008). Following from this, IPE has been driven by analyses of capitalism, development, and globalisation.

The formal disciplinary birth of IPE during the 1970s coincided with drastic changes in the world economy (Milner, 1998; Cohn, 2000; Verdun, 2003; Cohen, 2007; Cohen, 2008). This included the post-war recovery of Europe and Japan altering the global balance of economic power, the comparative decline of American productive power, decolonisation and the calls for a New International Economic Order, the growing interdependence of national economies and world trade, the 1973 and 1979 Oil Shocks, and Cold War détente which collectively created new opportunities for scholarly analysis. The systemic changes sweeping the world economy exposed what Susan Strange described as the “case of mutual neglect” between international relations and international economics in academic study (Strange, 1970).

In *International Political Economy: An Intellectual History* (2008), Benjamin Cohen sought to identify the disciplinary boundaries of IPE, listing what he regarded as its main ontological, epistemological, and methodological rifts. Cohen drew a line through the discipline, which he defined as analysing ‘the complex interrelationship of economic and political activity at the level of international affairs’ (Cohen, 2008, 16), dividing it into an American school and a British school. Within the former, Cohen listed Robert Keohane, Peter Katzenstein, Robert Gilpin, Charles Kindleberger, and Stephen Krasner. The American school – or, as Cohen put it, the “hegemonic version” of IPE – is defined by a state-centric ontology, meaning that its approach is limited to questions of state behaviour and system governance, and an epistemology wedded to the principles of positivism and empiricism, using causality and deductive logic to ascertain universal truths. In contrast, the British school begins from an ontology regarding the state as just one actor among many (if even an actor at all), with a focus on structural change, ethical issues,
and social forces, and an epistemology more normative, interpretive, and historical in approach. The main question for those within the British school, which Cohen commented was championed by Susan Strange and Robert Cox, is *cui bono?* Who benefits? (Cohen, 2006; Cohen, 2007; Cohen, 2008).

Cohen’s “transatlantic divide” sparked immediate, widespread debate. In particular, it led to the publication of two special issues of world-renowned IPE journals: the *Review of International Political Economy (RIPE)* and *New Political Economy*. Both published in 2009, the *RIPE* special issue discussed the American school and *New Political Economy* the British school. From the special issues came a range of praise and criticism. While the contributors applauded Cohen’s attempt to construct a concise disciplinary history, there were criticisms. These concerned the static and reductionist framing of the American and British schools, to the argument that they are more alike than claimed. The criticism was that the schools exhibit elements of the other, their ontological and methodological differences were not that neat, and the divide did not allow for a middle ground. Downplaying the legacy of political economy and the political “left”, the American and British schools thus form a heuristic divide that fails to encapsulate the “open range” of IPE (Blyth, 2009; Cox, 2009; Farrell and Finnemore, 2009; Germain, 2009; Helleiner, 2009; Hveem, 2009; Katzenstein, 2009; Keohane, 2009; McNamara, 2009; Murphy, 2009; Palan, 2009; Underhill, 2009; Wade, 2009; Weaver, 2009).

Despite being a “caricature” (Higgott and Watson, 2008; Ravenhill, 2008), if Cohen’s “transatlantic divide” is taken as correct, if we accept his separation of the positivist from the interpretivist, then this thesis aligns more closely to the British school. This is particularly so in the context of understanding the role played by technical assistance in legitimising development “truths”.

The North American literature on international organisations, notably the oft referenced work on principal-agent dynamics by Daniel Nielson and Michael Tierney (2003; 2005), cannot easily be reconciled with the interpretivist approach of this thesis. Nielson and Tierney built a theoretical model to understand and predict institutional and behavioural change in international organisations, designed to analyse how divergences and convergences of interests between agents (i.e., the Group) and principals (i.e., its member
countries) may lead the agent to behave in ways contrary to the intentions of the principal. While finding such analyses to be useful and important, the interpretivist ontological and epistemological bases of this thesis – in terms of evaluating normative change, knowledge construction, and the projection of “truths” – are at odds with the positivism of the American School of IPE.

Set broadly, this theoretical framework begins with the idea of the “core project”, of which the mainstream development discourse is a component. It then combines selected elements of Joseph Nye’s construct of soft power, the naming of knowledge as a form of structural power by Susan Strange, the neo-Gramscian perspective pioneered by Robert Cox, and the art of paradigm maintenance by Robert Wade and Robin Broad. By synthesising these elements, this theoretical framework lays the basis for understanding Group technical assistance and its contribution to framing what constitutes, and the best practices required to achieve, the “improvement” of developing countries, turning what is projected into “common sense” understandings.

**The Core Project**

A core project is the existing paradigmatic orthodoxy of the world economy. It is a broad agreement between global movers-and-shakers, a hegemonic consensus between the political, intellectual, and financial elite. Enabling devices of core projects include international regimes, institutions, and organisations, bilateral and multilateral agreements, codes and standards, traditions and “accepted” behaviours, and colonial and military intervention. Such devices are necessary, as the maintenance of a core project is a continual process, requiring constant reinforcement. Without this, the core project collapses, in time replaced by a new paradigm arising out of crisis.

To analogise, consider an incumbent core project as a shadow. While there are variations along its fringes, fluxes akin to the amorphous penumbra of a shadow, its umbra remains constant, allowing for minor deviations. While periods of crisis may see the core project collapse – the shadow receding as light dissolves it, variations can exist over its duration. As Kristen Renwick Monroe commented, ‘paradigms are not abandoned when contradictory observations are made. Instead, analysts working within the paradigm
attempt to redefine the theory, to render precise the specific conditions that account for the anomalous phenomena’ (Monroe, 2001, 156). For example, the neoliberal core project has received constant tempering since its establishment during the early 1980s, being augmented to include poverty alleviation and governance issues, while persistently remaining neoliberal.

Several core projects are identifiable from over the past one hundred and fifty years (Polanyi, 1944; Wallerstein, 1979; Bergesen and Schoenberg, 1980; Wallerstein, 1980; Cox, 1981; Cox, 1983; Strange, 1987; World Bank, 1987b; Overbeek, 1993; Ikeda, 1996; Reifer and Sudler, 1996; Williamson, 1997; Obstfeld and Taylor, 2003; Hardt and Negri, 2005). During the height of British hegemony in the late nineteenth century, the core project prescribed free trade underpinned by the classic gold standard. Stable exchange rates maintained the unicentric orientation of the world economy, which derived from the fact that London financial markets were the primary source of capital for other countries. The core project continued until the outbreak of the First World War and the interregnum of the Inter War Years, during which time the world economy was destabilised by global economic fragmentation and the abandonment of the gold standard, leading to rising protectionism, monetary isolationism, and the decay of the global market. With the close of the Second World War came a new core project. The implemented framework pursued a Keynesian logic, a gold standard, and fixed exchange rates. Known as the Bretton Woods monetary regime, this core project saw a role for international organisations in rebuilding the global market. Another period of uncertainty came with its collapse in the 1970s, which led to the arrival of the neoliberal core project in the 1980s, led by the conservative regimes of Ronald Reagan and Margaret Thatcher. Privatisation, deregulation, trade liberalisation, and floated exchange rates underpinned this framework. While a recent focus on poverty alleviation and governance issues has tempered this core project, its main tenets remain. The penumbra may have seen flux, but the neoliberal umbra has survived.

The mainstream development discourse is a component of the core project, as the prevailing understandings of what constitutes the “improvement” of developing countries have mirrored the paradigmatic orthodoxy of the world economy. During the Bretton Woods era, the Keynesian confidence in state
intervention translated into the directive that governments of developing countries needed to intercede in their industrial and manufacturing sectors to spur economic growth. In contrast, the advent of the neoliberal era saw the abandonment of the state as the principal driver of development, with it replaced by the presumption that the panacea of the market would lead to increased gains for all. Importantly, as a caveat, the abandonment of the state did not lead to the death of the state. In practice, neoliberalism restructured the role of the state to facilitate market freedoms. This thesis focuses on the Bretton Woods and neoliberal core projects, as the shift from the former to the latter led to a decline of hardware in favour of software.

The transition from one core project to the next, highlighting the evolving nature of the mainstream development discourse, is fundamental to this thesis. In his seminal book *The Structure of Scientific Revolutions* (1962), American physicist Thomas Kuhn argued that paradigm shifts do not just add to earlier knowledge, but lead those who accept them to view the world in completely new ways. For Kuhn, the importance of paradigms is that they establish routine, or what is “common sense”, in understanding a particular phenomenon, ensuring solidarity of opinions (Kuhn, 1970; Janos, 1997). As such, paradigm shifts may result from one paradigm being better able to solve a problem than its competitors, potentially leading to the creation of a wholly original paradigm or elements of an older paradigm being discarded in favour of the new. The collapse (or variation) of a core project follows the same logic, as also do changes in the mainstream development discourse.

Kuhn’s account of paradigm shifts is appropriate to understanding the role played by Group technical assistance on two grounds. First, the provision of technical assistance may lead recipients to view the development process in entirely new ways, spurred by crises (or perceived crises) in their economic, political, social, or environmental conditions. Second, the Group has borne paradigm shifts itself. As Hasan Simsek and Karen Lewis (1994, 671) noted, organisations ‘are defined by their paradigms, that is, the prevalent view of reality shared by members of the organisation. Under a particular dominant paradigm, structure, strategy, culture, leadership, and individual role accomplishments are defined by this prevailing world view’. When crises undermine a core project, countervailing views emerge. This is exactly what
happened in the Group when the neoliberal era replaced the Bretton Woods core project, when market-led growth succeeded state-led development.

Susan George and Fabrizio Sabelli argued two decades ago that the Group ‘is commonly accepted as the Vatican, the Mecca, or the Kremlin of this twentieth-century religion’ (1994, 6) known as “development”. This remains true today. Whereas the peoples of medieval Christendom turned to the Catholic Church to understand the medieval core project, many rely on the Group to understand the mainstream development discourse. This is not to deny the agency of developing countries or the existence of the multitude of voices opposing its policies, but it does exercise considerable intellectual and structural influence as the leading international development institution.

Soft Power, Structural Power, and Common Sense

This thesis argues that technical assistance legitimises the mainstream development discourse through its implied scientific, objective, and value-neutral nature. It is thus crucial to frame how knowledge becomes power. To do this, this thesis turns to Joseph Nye, Susan Strange, and Robert Cox.

Joseph Nye coined the phrase “soft power” in Bound to Lead: The Changing Nature of American Power (1990). Refined in articles throughout the 1990s and rearticulated in Soft Power: The Means to Success in World Politics (2005) and The Future of Power (2011), Nye distinguished soft power from “hard power”. Analysing contemporary statecraft, he defined hard power as coercive power. Derived from realist and neorealist readings of international relations, military force and economic incentives became its seminal expressions. In contrast, soft power is persuasive power. As influence emanating from culture, ideology, and institutions, it has the potential to persuade people to do what others want (Nye, 1990b; Nye, 1990c; Nye, 2002-2003; Nye, 2004; Nye, 2008; Nye, 2011). Yet, he argued, ‘soft power rests on the ability to shape the preferences of others’ (Nye, 2004, 5), with its influence reliant on the reputation – the culture, values, and policies – of the exercising actor. The standing of the Group as the leading international development institution, paired with the implied value-neutral nature of its technical assistance, adds persuasive potential to its development “truths”.

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Susan Strange argued a similar position in *States and Markets* (1988). She separated relational power (the ‘power of A to get B to do something they would not otherwise do’) from structural power (the ‘power to shape and determine the structures of the global political economy within which other states, their political institutions, their economic enterprises, and ... their scientists and other professional people have to operate’) (1988, 24-25). Regarding the latter to be of greater consequence as the possessor controls the choices available to recipients without the need for coercion, she listed four different types of structural power: security, production, finance, and knowledge. Visualising her framework as a four-sided pyramid, she allotted each side one type of structural power. The pyramid, she argued, cannot stand without all four sides bracing the overall structure equally (Strange, 1988; Strange, 1991; Strange, 1992). Importantly, Strange did not regard structural power as necessarily unique to the world economy, arguing that it is identifiable in units as small as domestic communities and family groups.

Similar to Nye’s soft power, the conceptualisation of knowledge as a form of structural power is relevant to Group technical assistance. Strange defined knowledge broadly as both practical and technical knowledge, and held that control over knowledge grants the possessor control over its construction, dissemination, and storage, and thus control over what is and what is not to be believed (Strange, 1987; Strange, 1988). In this way, Group technical assistance creates, to adopt Strange’s phrase, an “enveloping structure” (1991) within which the Group’s members interact and respond, pursuing what it defines as development “truth” and the paths that must be followed.

During the 1920s and 1930s, imprisoned Italian Communist Party leader Antonio Gramsci held that power is maintained in modern capitalist societies through a balance of coercion (force) and consent (persuasion). A Marxist theorist, although inspired by the liberal idealism of Benedetto Croce and the political realism of Niccolò Machiavelli, he related consent to cultural and intellectual leadership, or “ideational hegemony”, whereby the dominant social group is able to secure its beliefs, values, and ideas so that they are accepted as common sense, legitimising the prevailing social order. Gramsci saw the prevailing social order as an historical bloc, which was linked by the
Robert Cox appropriated Gramsci’s analysis of domestic power and applied it to the global arena, stressing the relationship between material factors, ideas, and consent (Cox, 1981; Cox, 1983; Cox, 1987). For Cox, the ideas of the prevailing social order diffuse throughout the world economy, being internalised by osmosis until becoming common sense, and thus serving to maintain the status quo. As such, this thesis argues that Group technical assistance reinforces the ideational hegemony of its development “truths”.

Cox argued that international organisations are important to universalising global hegemonic norms, arguably conceptualised as the core project. He listed several factors, including the claims that international organisations legitimate hegemonic norms, they co-opt the elites of developing countries, and they absorb counter-hegemonic ideas (Cox, 1983). In a 2010 article, Julie Mueller applied Cox’s claims to the role played by IMF conditionalities in co-opting Jordanian elites, to the aim of understanding why such policies are recommended and implemented. Mueller concluded that ‘international organisations are an important cog in the process of creating and sustaining hegemony because they embody the universal norms of a world hegemon’ (2010, 98). Susan Park (2007; 2010), in a position supported by this thesis, also argued that international organisations hold the capacity to reinforce and reproduce “truths” through norm adoption, compliance, mainstreaming, and diffusion, a consequence of tensions internal and external to the organisation. In line with the dominance of the neoliberal core project, the Group has played a prominent role in universalising global neoliberal norms.

Building upon the above comments, Laïla Smith argued in a 2008 Geoforum article that technical assistance does not “impose” (as per lending operation conditionalities), but rather “convinces” through implied technical legitimacy (Smith, 2008). Given the unequal relationship between knowledge provider and recipient, the act of convincing arguably interprets as an example of the neo-Gramscian role attributed to maintaining consent for global hegemonic norms (Rupert, 2003; Robinson, 2005). Cox came to a similar conclusion in arguing that the provision of technical assistance ‘through international
agencies under the influence of core countries became a means of adjusting the internal structures of the periphery countries to the exigencies of the world economy’ (1992, 175). This thesis argues that as technical assistance implies technical legitimacy, it has thus played an important persuasive role in legitimising particular understandings of and pathways to development.

Despite their analytical differences, Nye, Strange, and Cox came to similar conclusions; that of a form of power whereby exercising actors are able to either persuade or define structures in such a way as to make particular understandings appear as common sense. It is through this framework that Group technical assistance can be seen as contributing to the construction, projection, and legitimisation of the mainstream development discourse.

The Art of (Projected) Paradigm Maintenance

Framing technical assistance as soft power, structural power, or common sense concerns the projection of development “truths”. It is thus necessary to understand how the Group maintains a consistent “voice”. Robert Wade argued that through staff selection, internal review processes, the strict editing of official documents, and repetition of claims of the infallibility of its normative orthodoxy, the Group exercises the art of paradigm maintenance, internalising its meta-paradigm (Wade, 1996). Put simply, its institutional, organisational, and incentive structures reinforce the internal hegemony of its orthodox paradigm, a mirror of the core project. The overrepresentation of development economists trained at Western universities has contributed to this, as the debates within the Group reflect the ideological divisions between such universities (i.e., the Chicago and Sussex schools), and not those between developed and developing countries (Wade, 1996; Wade, 2002; Goldman, 2005). Through the art of paradigm maintenance, the Group is able to channel and streamline its message as one coherent voice.

Robin Broad supported Wade’s argument. Citing information gathered from interviews conducted with Group staffers, she added to the art of paradigm maintenance the importance of the selective enforcement of rules, the discouragement of dissonant discourse, the manipulation of data, and the external projection of its meta-paradigm (Broad, 2006; Broad, 2007).
Importantly, both Wade and Broad concluded that its “knowledge services” were responsible for paradigm maintenance, and not its lending operations.

The art of paradigm maintenance can be modestly expanded to examine the role of Group technical assistance. As Wade argued, the Group ‘is a fount of Anglo-American ideas on how an economy – and ... a polity – should be run ... [The] Bank’s legitimacy rests on the claim that its development advice reflects the best possible technical research’ (Wade, 2001, 128). After being internalised by the Group, the mainstream development discourse is projected and legitimised through its technical assistance. For example, by building institutional and human resource capacity, pursuant to its orthodox paradigm, recipients would be inclined to employ the ideas, knowledge, practices, technologies, and skills received. As Michael Hardt and Antonio Negri remarked, ‘anyone who works with information or knowledge ... relies on the common knowledge passed down from others and in turn creates new common knowledge’ (Hardt and Negri, 2005, xv). Building upon Wade and Broad’s idea, this is then the art of “projected” paradigm maintenance.

To use a clichéd analogy, consider the following – *Give a person a fish, they eat for an evening. Teach that person to fish, they eat for a lifetime.* Group technical assistance is the equivalent of this analogy, but with nuance. The Group does not simply teach people how to fish. It teaches them to use a particular rod, a particular reel, a particular line, and to cast into a particular pond to catch a particular fish: its vision of development “truth”.

Paradigm maintenance underpins the theoretical framework of this thesis. Through this “art form”, the Group internalises its message, which technical assistance then projects and (arguably) legitimates. However, this is far from suggesting that the Group is an omnipotent deity handing down development commandments. Without the support of domestic elites in its member countries, it would not get far. Sidestepping this issue, the focus here is on the projection of its ideas, not their reception in its member countries. To use another analogy, this thesis focuses on the purchase, wrapping, and delivery of a present, not what the final recipient thinks of it; the focus is thus on construction, projection, and *attempted* legitimisation.
Literature Review

Analyses of the Group occur along a spectrum. Emerging from the “left” and the “right”, there are those in favour of preserving the status quo, opposed by those who call for its abolition, divided by those in favour of reform. The latter by far comprise the most diverse and valuable collection of voices. From the left come criticisms of the Group as an imperialist enterprise, an ideological Trojan horse whose extensive interventions privilege developed countries (particularly the United States) to the detriment of the developing. From the right emerge criticisms that it is unresponsive to market forces, promoting inefficiency through support for the public sector (de Vries, 1987; Kapur, Lewis and Webb, 1997a; Gilbert, Powell and Vines, 1999; Ruckert, 2010). This is not to suggest that the literature is entirely negative, but the majority seek to stress that the Group has never been ideologically neutral.

Over the decades, the breadth of analysis on the Group has been extensive. The following is a short list of notable themes often visited by the literature:

- The Group and adjustment lending (Jeong, 1997; Woods, 2007);
- The Group and economic indicators (Clegg, 2010);
- The Group and education (Bonal, 2002);
- The Group and the environment (Rich, 1994);
- The Group and faith-based organisations (Pallas, 2005);
- The Group and economic indicators (Clegg, 2010);
- The Group and gender issues (Brym, Chung and Dulmage, 2005);
- The Group and good governance (Thomas, 2007);
- The Group and its history (Mason and Asher, 1973; Payer, 1982; Kapur, Lewis and Webb, 1997b; Alacevich, 2009; Phillips, 2009);
- The Group and the Internet (Wilks, 2002b; Thompson, 2008);
- The Group and knowledge (King, 2002; Goldman, 2005);
- The Group and its lending practices (Berkman, 2008; Winters, 2010);
- The Group and neoliberalism (George and Sabelli, 1994; Caufield, 1996; Girdwood, 2007; Stein, 2008; Peet, 2009; Engel, 2010);
- The Group and poverty (Ayres, 1984);
- The Group and its presidents (Kraske, 1996; Mallaby, 2006); and,
- The Group and the United States (Babb, 2009; Lavelle, 2011).
A central preoccupation of the literature, and one that often causes difficulty for the Group, are the disparate opinions of what it should be. For example, there are those who provide the rather antiquated argument that the Group is simply a collection of financial institutions, and should not act further than to confirm or deny loan applications. By taking into account issues beyond this limited mandate, it is exceeding its Articles of Agreement. However, there those who oppose this view, claiming that it has not gone far enough, that it has failed to take into consideration social issues, human rights, and environmental sustainability. These competing opinions cause a dilemma for the Group, for it cannot tread in any direction without receiving criticism. This tension is writ large in its attempts to construct development “truths”.

In line with these criticisms, the coming paragraphs turn to the literature on the Group as the Knowledge Bank and its Market for (or Monopoly of) Truth.

In his 1996 Address to the Board of Governors: People and Development, then Group President James Wolfensohn introduced the Strategic Compact. It spoke of accountability, efficiency, integrity, and the raising of inclusivity through dialogue with national governments and community organisations (Wolfensohn, 1996). It also introduced the Knowledge Bank idea, by which Wolfensohn envisioned the Group as part of a global commons, or a global partnership whereby it would share its knowledge and experience with its member countries and other development agencies. The Knowledge Bank idea thus epitomises the focus of this thesis on Group technical assistance.

Christopher Gilbert, Andrew Powell, and David Vines were among the first to analyse the Knowledge Bank idea. Providing two contrasting interpretations of the Group at the end of the twentieth century, they alternately evaluated it through the lens of the Conditionality Bank and Knowledge Bank theses (Gilbert, Powell and Vines, 1999). As per their commentary, three types of activities characterised its operations: as an investment bank, as a research institution, and as a development agency. These activities were inherent to both the Conditionality Bank and the Knowledge Bank but were different in application. The emphasis of the former was on imposing prescriptions, while the latter sought to persuade recipients of the legitimacy of its ideas.
The Conditionality Bank thesis was opposed by Gilbert, Powell, and Vines as representative of the then less-than-satisfactory status quo and ineffective as an approach to development assistance. It argued that the legitimacy of the Group stemmed from the attachment of conditions upon its lending operations. Comparably applied to the supposed effectiveness of the IMF, the Conditionality Bank thesis concluded that the legitimacy of conditions arose from the coupling of knowledge to experience, adding value to projects and programs, and thus leading to increased development gains.

The Knowledge Bank thesis, endorsed by Gilbert, Powell, and Vines as the more effective development model, argued instead that the most important function performed by the Group was ‘the promotion and dissemination of knowledge about the process of economic development and the policies best calculated to promote it’ (1999, F615). The authors argued that it was more effective because knowledge was being produced as a global public good. This separated the Knowledge Bank from the Conditionality Bank, for investment was supporting knowledge, rather than the other way around.

There are proponents and opponents of the Knowledge Bank idea. Those in favour argue that “knowledge begets legitimacy”, that technical expertise validates chosen development paths, and that the capable use of knowledge has transformed the Group from a development bank into the leading knowledge-based development institution. In contrast, those against argue that “knowledge begets coercion”, that the standardisation of development knowledge has further entrenched the ideational hegemony of globalisation, financial liberalisation, and market fundamentalism, and that the Group has a monopoly on shaping its supply and demand (Kanbur and Vines, 2000; Stiglitz, 2000; Woods, 2000; Stone, 2003; Goldman, 2005; Dethier, 2007).

The proponents of the Knowledge Bank idea consistently reiterate one main point: the legitimacy of the Group stems from its promotion of development knowledge as a global public good. Exhaustive research and data collation are central to this argument. The wealth of information it has accrued over the decades, from macroeconomic management to village water supply, justifies this (Wilks, 2002b, 328; Goldman, 2005, 101; St. Clair, 2006, 77). For the proponents, the Group is more than a bank. Regarded by Jeremy
Bulow and Jonathan Murdoch as a natural turn for the Group, its greatest strength is its vast reservoir of development knowledge analysed by only the most elite development economists (Bulow, 2002; Morduch, 2008). The proponents thus conclude that the Group operates within the intellectual landscape of the development discourse, being shaper and shaped (Gavin and Rodrik, 1995; Barnett and Finnemore, 1999; Kanbur and Vines, 2000).

Following the launch of the Knowledge Bank idea, the Group commissioned a 2006 review of the World Bank’s research agenda (see Banerjee, Deaton, Lustig, Rogoff and Hsu, 2006). Remarking that its Knowledge Bank persona was vital to sustaining its position as the leading international development institution, the review concluded that the World Bank needed to establish a formal research department populated by its own personnel (as opposed to external advisors). The Knowledge Bank idea has influenced the behaviour of the World Bank (and, by extension, the Group) for the past two decades.

The opponents arrive from positions that are more diverse. Yet, two main criticisms emerge. The first is its pursuit of “one vision” of development, the projection of its orthodox paradigm. The second is the “disciplinary monopoly” of those it employs, the internalisation of its orthodox paradigm.

The dogmatic pursuit of one vision of development has been criticised by the opponents under the challenge that the creation and use of knowledge is not ideologically neutral. There are two elements to this. First, they claim that its orthodox paradigm is hegemonic and that the Group is ideologically selective and unreflective. This is a problem as it is the gatekeeper of this knowledge, commodifying what it argues to be a global public good (George and Sabelli, 1994, 220; Yunus, 1994; Standing, 2000, 752; Mehta, 2001, 189-190). Second, the opponents argue that its orthodox paradigm claims to be concerned with sustainable development and poverty alleviation, but it is so economistic that it ignores cultural sensitivities, social concerns, gender roles, human rights, and other normative issues (Stone, 2003, 55; Quinlivan and Davies, 2003, 39; Woods, 2006, 69; Morduch, 2008, 380).

The disciplinary monopoly of those it employs has also been criticised by the opponents as ingraining an orthodoxy that fails to appreciate the nuances of
development. Arguing that it rarely originates unique ideas, the opponents contend that the Group favours economics above other disciplines (Rao and Woolcock, 2007, 480). Coupled with the top-down nature of its information hierarchy and the fact that it prefers in-house to independent research, the preferential treatment offered to economics restricts the options available to its member countries (Squire, 2000, 116-117; Goldman, 2005, 126-127). The opponents also argue that the elitist professionalism of those employed often leads to the casting aside of local knowledge, such knowledge being deemed inappropriate to the complex modelling required by the economics discipline (Woods, 2006, 55 and 64). This is complicated by the fact that its orthodox paradigm is based upon a consensus between it and its primary audience – research institutes and elite universities, and not developing countries (Neu, Gomez, Ponce de León and Zepeda, 2002; St. Clair, 2006).

As an example, Thomas Wanner made the intriguing analogy that, like the Ministry of Truth in George Orwell’s novel Nineteen Eighty-Four (1949), the Group constructs and projects particular development “truths”. Focusing his analysis on sustainable development, Wanner argued that like the Orwellian newspeak, the Group has its own greenspeak (Wanner, 2007). As he put it, the ‘Knowledge Bank is deeply involved in the construction and dissemination of a specific meaning of “sustainable development” ... [It] is ever more crucial for spreading “sustaindevelopment” and maintaining capitalist hegemony’ (Wanner, 2007, 165). The opponents of the Knowledge Bank idea thus conclude that caution is required, for the Group’s latest persona has created a discourse that presumes the legitimacy of its ideas.

In conclusion, the significance of the Knowledge Bank idea is twofold. First, there are currently one hundred and eighty-eight member countries of the Group. This illustrates the potential audience with which it can circulate its ideas. Second, for over six decades it has cultivated a vast research base, has developed unique analytical tools, and has distributed its knowledge as (arguably) a global public good (Feinberg, 1986; Gavin and Rodrik, 1995; Dethier, 2007). Analyses of the Knowledge Bank idea thus illustrate the controversial role it has played in constructing, projecting, and legitimising particular development “truths”. As Michael Goldman argued, ‘one of [its] greatest accomplishments has been to make its worldview, its development
framework, and its data sets the ones that people around the world choose above others’ (Goldman, 2005, xv). Importantly however, most of its ideas originate from outside the Group, from research institutes and universities, with it acting as a conduit to spread and popularise those ideas (Gavin and Rodrik, 1995, 333; Gilbert, Powell and Vines, 1999, F608; Meier, 2001, 2).

Methodology

From the literature, most analyses evaluate the Group either in generalities or by focusing on particular themes. This thesis merges both by creating an historical narrative comprised of rigorous research and analytical discussion on technical assistance. Spanning six decades, the chapter plan reflects this approach, allowing analysis of technical assistance, while contextualising it in terms of crises in the world economy, shifting intellectual movements, and institutional change. Yet, just because there is not an annotated history of technical assistance does not warrant one. This thesis instead argues that its importance arises from its role played in legitimising particular “truths”.

This thesis derives its conclusions from empirical evidence (gathered via the online resources of the Group) and academic papers. While the academic papers were useful in analysing critiques of the Group, the analysis of technical assistance derived from the empirical evidence. This evidence included loan and credit documents, internal research publications, public announcements, and press releases. The thesis specifically examined close to two hundred World Bank loans and credits (by reviewing their project proposal and completion documents) approved between 1950 and 2012, as well as every annual report released by the Group during that same period. Literally hundreds upon hundreds of Group documents underpin this thesis. Given that this thesis analysed seventy years of history, the most effective way of charting the changes to technical assistance was a broad approach.

World Bank loan and credit documents comprise the main evidentiary base of this thesis. Such documents include project proposals, project reviews, and project completion reports. In terms of analysing technical assistance, the thesis found the project matrices included in the documents invaluable to understanding the slow evolution of the nature of technical assistance.
Without such evidence, this thesis would not have been able to provide such a thorough and detailed appraisal of the rise of Group technical assistance.

Numerous case studies punctuate the analysis of this thesis. Not chosen at random, these case studies reflect particular periods of Group history. Each chapter observes a particular era in its history – the 1970s, the 1980s, etc. The chosen case studies epitomise the development assistance portfolio of the Group during these distinct historical time-periods. For example, former Soviet satellites were analysed after the collapse of the Soviet Union and East Asian countries were analysed during the 1997 Asian Financial Crisis. The varied case studies in this thesis thus reflect particular historical events.

Chapter Plan

This introductory chapter opens discussion by detailing the research focus and question, theoretical framework, literature review, and methodology. An historical chapter follows, outlining the institutional characteristics of the Group and the nature of the Bretton Woods and neoliberal core projects. The following five chapters analyse Group technical assistance from 1946 to 2010, each divided into eras defined by crises in the world economy, which in turn led to distinct phases in Group technical assistance. As Robert Solomon commented, ‘History is a continuum, but it contains nodal points – periods of outstanding and lasting significance’ (Solomon, 1994, 5). The eighth chapter provides a conclusion summarising this thesis’ contributions.

The third chapter examines the early years of Group technical assistance from 1946 to 1973 – the era of hardware. During these decades, technical assistance grew in sophistication as an outgrowth of financial assistance. Rather than catalysed by crises in the world economy, technical assistance evolved due to the Group’s growing legitimacy, expertise, capital reserves, membership, and leadership. This chapter thus establishes the background history of technical assistance, examining its origins prior to the arrival of software and its capacity to shape the mainstream development discourse.

The fourth chapter turns to the brief, yet turbulent, period between 1973 and 1982. These years not only saw the 1973 and 1979 Oil Shocks and the
collapse of the Bretton Woods monetary regime, but also stood witness to the 1982 Debt Crisis. The gradual transition to software began during this period, a reaction by the Group to its inadequate response to an uncertain global economic climate and unmanageable debt burdens and recessions in developing countries. Under President Robert McNamara, who introduced a “social conscience” to the Group, several unique institutional developments arose, including the introduction of poverty-based lending, the expansion of policy-based lending, and the controversial launch of structural adjustment.

The fifth chapter analyses the years between 1982 and 1991, starting with the 1982 Debt Crisis and concluding with the collapse of the Soviet Union. The “lost decade for development” unfolded against a background of bleak pessimism for growth in much of the developing world. The Group heralded structural adjustment lending and neoliberal economic policy prescriptions as the only means to combat this situation. Under the presidencies of Alden Winship Clausen and Barber Conable, the Group relied upon software to support its diversifying lending portfolio and the expansion of free markets.

In the sixth chapter, discussion turns to the years between 1991 and 1999. This period began with an absolute confidence in neoliberalism, reinforced by the transition of the communist bloc to market economies, but concluded with the 1997 Asian Financial Crisis undermining market fundamentalism and structural adjustment lending. The presidencies of Lewis Preston and James Wolfensohn thus had to contend with starkly different internal and external dynamics. In line with these upheavals, the Group was no longer satisfied with simply “getting the prices right”, but now also advocated the importance of “getting the politics rights”. Good governance augmented the neoliberal agenda, which consequently broadened the scope of software.

The seventh chapter concludes the historical narrative by observing the years between 1999 and 2010. Following the Asian Crisis, the Group sought to improve the image of its meta-paradigm. Wolfensohn, Paul Wolfowitz, and Robert Zoellick attempted to achieve this by turning the Group into the Knowledge Bank. The 2008 GFC provides a logical conclusion to this thesis, as it provoked a renewed sense of purpose for the Group and a greater role for technical assistance. As Zoellick argued, the GFC ‘and the associated
questioning of conventional wisdom will create more demand for the Bank’s knowledge services over the coming years’ (World Bank, 2009b, 19-20).

Methodological Issues

Three main methodological issues affect this thesis. The first issue concerns the fact that while there is a wealth of literature on the Group, a vacuum exists in place of a rigorous history of technical assistance. This thesis thus enters uncharted territory. The second issue is that there are not only limitations on the availability of official Group documents, but those that are obtainable are generally not critical of the mainstream development discourse. The third issue concerns the difficulty in obtaining information on technical assistance incorporated as lending operation components, by far constituting the largest portion of the Group’s technical assistance portfolio.

There is a wealth of literature on the Group. Committing billions of dollars each year and engaging with countries, private enterprises, non-state actors, and other development agencies, controversy surrounds its actions. Yet, despite this scrutiny, technical assistance has received comparatively little attention. No single explanation can explain this lack of research. This is not to suggest that there is a complete absence of analytical appraisal, but just that there is yet to be a detailed, methodical, and critical history. The thesis resolved this first methodological issue by collating a vast range of empirical evidence, which was then organised into a clear historical chronology. This made it relatively straightforward to structure its response.

There are limitations on the availability of Group documents. As Devesh Kapur, John Lewis, and Richard Webb noted, ‘from its inception the World Bank has put a premium on confidentiality ... [It] has rarely invited study of the institution as an institution ... The official books keep track of loans and expenses, yet few records convey the full business of the Bank’ (Kapur, Lewis and Webb, 1997a, 1). Additionally, as can be hardly surprising, official Group documents are not critical of its promotion of the mainstream development discourse, forcing researchers to wade through the rhetoric. The thesis resolved this second methodological issue by drawing together official Group documents and academic papers. Between the two, this thesis
was able to build a comprehensive account of Group history. In addition, it is important to note that the Group has made available a significant amount of new information through its online resources in recent years. While it is still difficult to obtain information relating to the 1950s and 1960s easily, there is now a large amount of official documentation relating to the 2000s.

Technical assistance incorporated as lending operation components rarely receive much detail in official documents. The Group has recognised this, with annual reports repeatedly commenting on the difficulty of identifying technical assistance components (World Bank, 1975b, 67; World Bank, 1992d, 96). Consequently, analysis is occasionally restricted to generalities.

**Conclusion**

Development and international development assistance are interpretations of the improvement of developing countries and the betterment of human life. As a microcosm of the claim that both are constructed ideas, this thesis charts the evolution of Group technical assistance from 1946 to 2010. Beginning with the hypothesis that technical assistance validates particular development “truths” through its implied scientific, objective, and value-neutral nature dissuading challenges to the prevailing orthodoxy, this thesis analyses the role technical assistance plays in constructing, projecting, and legitimising the mainstream development discourse. The first step in doing so is to outline the characteristics of the Group and the Bretton Woods and neoliberal core projects. This is the focus of *Chapter Two – Origins and History*, which lays the foundations for understanding technical assistance.
Chapter Two
Origins and History

The Group has undergone a remarkable evolution over the past six decades. Remaining controversial, under critical review from the left and right, its legacy is undeniable. It is one of the most active, involved, and pervasive actors supporting – in financial, intellectual, and catalytic terms – the “improvement” of developing countries since the end of the Second World War. For good or ill, its influence over the decades has been considerable.

The word “evolution” is critical to understanding the Group: its institutional growth, ideological changes, and even controversies have been sparked by crises in the world economy, shifting intellectual movements in academic and policy circles, and changes in its mission, organisation, and staffing. As noted in the World Bank Annual Report 1995, while the Group’s ‘fundamental objectives remain the same, its approach to development has evolved over time as new challenges have emerged and lessons have been learned’ (World Bank, 1995c, 18). Alternatively, as former Vice President and General Counsel Ibrahim Shihata argued, tempora mutantur, et nos mutamur in illis (“time changes, and we change with it”) (Shihata, 1995, 1).

Patterns of renewal have characterised the Group’s history, with fluctuating institutional (internal) and intellectual (external) forces moulding its metaparadigm (Dethier, 2009). During the 1970s, poverty-based lending was introduced to tackle the inadequacies of the infrastructure-based decades of the 1950s and 1960s. With the 1979 Oil Shock, the 1982 Debt Crisis, and the end of the Bretton Woods core project, neoliberal financial adjustment replaced poverty alleviation. By the 1990s, good governance had tempered this neoliberal agenda. After the 1997 Asian Financial Crisis, the post-Washington Consensus emerged, and, since the 2008 GFC, increased favour has been shown towards strengthening the state to prevent future crises.

Between 1946 and 2010, the Group saw, responded to, and played a role in constructing, projecting, and legitimising the Bretton Woods and neoliberal core projects and several distinct moments in the mainstream development
discourse (Lateef, 1995; Stern and Ferreira, 1997; Mommen, 1998; Kanbur and Vines, 2000). Explored in this chapter, each new "intellectual episode" – be it poverty, adjustment, or governance – led to the transformation of the Group. By examining the Group and the core projects it has served, this chapter lays the foundations for understanding Group technical assistance.

**The World Bank Group**

An independent specialised agency of the United Nations, the Group is made up of the IBRD and its four affiliates: the IDA, the IFC, the Multilateral Investment Guarantee Agency (the MIGA), and the International Centre for Settlement of Investment Disputes (the ICSID). As of May 2012, 188 member countries had joined the IBRD, the IDA 172, the IFC 184, the MIGA 177, and the ICSID 147 (World Bank, 2012a). Their common purposes are to raise living standards and alleviate poverty in those countries, a goal pursued by a staff exceeding 10,000 posted to over 150 offices worldwide.

The IBRD and its four affiliates all provide technical assistance, either as a component of a development program, as a stand-alone project, or as an advisory service. They have also created several subsidiaries specialising in technical assistance, including the Economic Development Institute (the EDI), the World Bank Institute (the WBI), the Foreign Investment Advisory Service (the FIAS), the Project Preparation Facility (the PPF), the Special Project Preparation Facility (the SPPF), the Institutional Development Fund (the IDF), and the Public-Private Infrastructure Advisory Facility (the PPIAF). Notwithstanding their contrasting raison d’être, all of the affiliates and subsidiaries maintain and reinforce the Group’s meta-paradigm. There is no dispute between these various bodies over what development means.

**The International Bank for Reconstruction and Development**

The heart-and-soul of the Group, the IBRD began operations as its founding body on 25 June 1946. Born at the United Nations Monetary and Financial Conference of July 1944 (often known as the Bretton Woods Conference) and designed to assist post-war European reconstruction, the IBRD today aims to promote sustainable development and reduce poverty, lending to
middle-income and credit-worthy low-income countries, raising its AAA-rated lending portfolio through global financial markets (World Bank, 2007).

Under Article I: Purposes of its Articles of Agreement, the IBRD is mandated to assist reconstruction and development, supplement private investment, promote the balanced growth of international trade, and maintain balance-of-payments equilibrium (IBRD, 2011). Of the five main bodies comprising the Group, the IBRD has been its largest source of financial and technical assistance. Cumulative IBRD lending from 1946 to 2010 totalled US$523.6 billion, disbursed via 5,530 loans. Mexico, Brazil, India, Indonesia, China, and Turkey were the top six recipients of these loans (World Bank, 2011c).

Interestingly, its Articles of Agreement are silent on the issue of technical assistance. However, the IBRD is not without operational criteria, with the Operational Policy Statements BP 8.40 and OP 8.40 being guidelines (World Bank, 2004d; World Bank, 2004f). These policy statements assert that technical assistance must utilise research and policy work, complement loans, be clear in objective, be coordinated with and encourage the participation of the borrower, and establish mechanisms to gauge progress.

The International Development Association

On 24 September 1960, the IDA began operations. As noted under Article I: Purposes of its Articles of Agreement, its mandate is to promote economic development, increase productivity, and raise the standards of living in its member countries, supplementing the IBRD’s activities (IDA, 2011). The “soft loan” affiliate, it provides “credits” (long-term concessional loans with repayments stretched over forty years) to eighty-one of its poorest member countries, primarily those in Sub-Saharan Africa. Thirty-five countries have graduated from the IDA, with eligibility for its assistance dependent upon relative poverty, defined as gross national index per capita below US$1,165.

Subscriptions drawn from its wealthier member countries finance its credits, as well as profits transfers from the IBRD. This happens every three years. Fifty-one countries donated to the sixteenth replenishment in 2011; US$49.3 billion to fund the period between July 2011 and June 2014.
Second to the IBRD, it provides the largest volume of financial and technical assistance. Cumulative IDA lending from 1960 to 2010 totalled US$221.2 billion, disbursed via 4,822 credits. India, Bangladesh, Pakistan, Vietnam, China, and Tanzania were its top six credit recipients (World Bank, 2011c).

Since the *World Bank Annual Report 1974*, the IBRD and the IDA have been collectively referred to as the “World Bank”, sharing the same headquarters and staff, while remaining legally distinct. The Boards of Governors and Executive Directors of the IBRD are *ex officio* those of the IDA. However, a complication exists over the use of “World Bank” in the literature. Various commentators have used the term in different ways. While officially it refers to both the IBRD and the IDA, there are those who use it to denote the IBRD only. This is confused further by the fact that the term ‘was first used in reference to [the] IBRD in an article in the *Economist* on July 22, 1944, in a report on the Bretton Woods Conference’ (World Bank, 2007, 11). For the purposes of this thesis, “World Bank” refers to both the IBRD and the IDA.

**The International Finance Corporation**

The IFC was established as an affiliate of the Group in July 1956. Although preceding the IDA, its overall contributions have been much smaller. Part of the Group’s “private sector arm” alongside the MIGA, it provides financial and technical assistance to private enterprises in its member countries that are deemed risky by commercial investors, it makes equity investments, it generates productive jobs and opportunities, and it promotes competitive and open markets (World Bank, 2007, 61; IFC, 2009c; World Bank, 2009b). It aims to stimulate, and not replace, the flow of investment into private and mixed public/private enterprises, acting as a catalyst drawing together entrepreneurship, investment, and production. The IFC is the Group’s third largest technical assistance provider, with its advisory portfolio delivering more than US$1 billion between 1956 and 2006 (World Bank, 2007, 20-21).

**The Multilateral Investment Guarantee Agency**

The MIGA commenced operations in April 1988. Its primary mandate is the provision of political risk insurance to encourage foreign direct investment
(FDI) in its member countries, while its secondary mandate is the provision of technical assistance to make economies appear attractive to FDI (World Bank, 2009b). It promotes FDI by providing political risk insurance against the hazards of currency transfer, expropriation, and civil disturbances, as well as by extending its investment marketing services to promote private investment opportunities (MIGA, 2011). Its technical assistance portfolio includes investigative missions, strategy workshops, training programs, and a specialised suite of Internet services. The MIGA supplements the activities of the IFC, strengthening the Group’s “private sector arm” (MIGA, 2009a).

The International Centre for Settlement of Investment Disputes

Entered into force on 14 October 1966, the ICSID promotes global investment opportunities by making available facilities for the conciliation and arbitration of international investment disputes (Fouret, 2007; ICSID, 2009; World Bank, 2009b, 10). Established by a multilateral treaty drafted by the IBRD’s Executive Directors, the ICSID seeks to remove impediments to the movement of private investment. The ICSID is regarded as the leading investor/state dispute settlement body. While publishing extensively on arbitration and foreign investment law, this thesis pays the ICSID little attention as its overall contribution to Group technical assistance is minimal.

The Subsidiaries of the World Bank Group

The following paragraphs briefly discuss those subsidiaries created by the Group that specialise in, or notably provide, technical and advisory services.

The Economic Development Institute

The EDI was long the meter gauging the developmental imperatives of the Group. Working under the faith that ‘knowledge is often the key ingredient in advancing social and economic development’ (World Bank, 1996a, 151), it followed the tenet of ‘investing in ideas and people’ (World Bank, 1995c, 124). Commencing its first course in January 1956, the EDI provided formal training courses to officials of developing countries. Its teaching curriculum focused on economic policy and the administration of development goals
(World Bank, 1998a, 194). It also published on those themes. Established with financial backing from the Rockefeller and Ford Foundations, fourteen officials from as many countries attended its first course in 1956. In 1996, more than 7,000 people were involved in 358 conferences, seminars, and workshops (IBRD, 1957, 124-125; World Bank, 1996a, 151). Three years later, the EDI was dissolved and integrated into the newly established WBI.

The World Bank Institute

Established in March 1999, the WBI collaborates with the Group’s member countries to advance their development goals through training courses, conferences, seminars, and Internet services. An updated version of the EDI, it was a merger between its predecessor (focused on client learning) and the Learning and Leadership Centre (focused on staff learning), thus creating synergy between external and internal knowledge sharing. Under the slogan “Learning for Development”, the WBI aims to offer regional and global public goods via the design and delivery of ‘customised programs that create opportunities for development stakeholders to acquire, share, and apply global and local knowledge and experiences’ (WBI, 2008, i). The WBI is the Group’s main arm in the exchange of knowledge among its member countries on topics as diverse as macroeconomic policy, economic reform, poverty reduction, health, and education. Some 39,500 participants were involved with the WBI in 2008, including government officials and civil society and private sector representatives. Following from this, the WBI remains the meter gauging the Group’s developmental imperatives today, emphasising “open knowledge and collaborative governance” (WBI, 2012).

The Foreign Investment Advisory Service

Established in 1986 as a service of the IBRD and the IFC, the FIAS provides a specialised technical assistance portfolio. As introduced in its 2008 Annual Report, it ‘assists the governments of developing countries and transition economies in reforming their business environments, with emphasis on regulatory simplification and investment generation’ (FIAS, 2008, i). In November 1988, the FIAS became a joint venture between the IFC and the MIGA, with financial oversight provided by the IBRD. In March 2007, it took
over the technical assistance activities of the MIGA, enhancing coordination between business environment reform (the FIAS) and investment promotion work (the MIGA) (MIGA, 2009c). It currently focuses on access to land, business entry, business licensing and taxation, industry competitiveness, insolvency, investment policy and promotion, regulatory governance, and trade logistics (FIAS, 2010a). The FIAS has thus been very much a product of the mainstream neoliberal development discourse since its establishment.

The Project Preparation Facility and the Special Project Preparation Facility

The PPF was launched in 1975 to provide pre-lending support to its member countries by funding institution building for project preparation. Disbursed funds are regarded as an early advance on the forthcoming project. By offering pre-lending support, the PPF has been used as a mechanism to enhance the success rates of World Bank lending operations (World Bank, 2004c; World Bank, 2004e). The SPPF has extended the role of the PPF since its formal establishment in 1985 by exclusively providing pre-lending support to IDA-eligible Sub-Saharan African countries through funds disbursed on a longer-term reimbursement basis (World Bank, 1985b, 70).

The Institutional Development Fund

Established by the World Bank in July 1992, the IDF offers quick response funding to strengthen institutions and support small-scale capacity building programs (World Bank, 1995c). As a technical assistance grant facility, the IDF provides advice on policy reform relating to public and private sector governance, financial accountability, judicial reform, and environmental management, with financing ranging from US$50,000 to US$500,000. A small subsidiary, it nonetheless plays an important pre-lending support role.

The Public-Private Infrastructure Advisory Facility

Launched in July 1999, the PPIAF is a joint initiative between the Group and the governments of Japan and the United Kingdom. A multi-donor technical assistance facility mandated to encourage public-private infrastructure partnerships, it pursues its mission by building capacity to support private
infrastructure arrangements and by promoting best practices, pioneering projects, formulating policy strategies, and providing finance (PPIAF, 2009).

Membership, Representation, and Accountability

As per its Articles of Agreement, membership in the IBRD is contingent first upon membership in the IMF, and membership in the affiliates first requires membership in the Group’s founding body. The member countries of the IBRD are its stakeholders, represented by a Board of Governors. Above this, a Board of Executive Directors has policy oversight. Five member countries hold permanent representation in the Board of Executive Directors (the United States, Japan, Germany, France, and the United Kingdom) and four member countries elect their own Board representatives (China, the Russian Federation, and Saudi Arabia), while the remaining seventeen Executive Directors are elected by the other member countries of the IBRD. Proposals regarding financial and technical assistance submitted to the Board of Governors are also forwarded to the Executive Directors for consideration.

As of 10 January 2013, the United States controlled a majority of total IBRD subscriptions (16.19%) and voting power (15.32%). Japan followed next (9.52%; 9.02%), then Germany (4.75%; 4.51%), France (4.49%; 4.27%), and the United Kingdom (4.49%; 4.27%). These were the only countries with more than 3.45% of total subscriptions and voting power. In contrast, China, as the world’s most populous country and listed among the top six recipients of World Bank financial assistance, only recently gained control of 3.23% of total subscriptions and voting power. The member countries of Sub-Saharan Africa individually control less than 0.10% of both (World Bank, 2013). As a result, decision-making control is centralised under a small minority determining outcomes for the majority of member countries.

The Group President, Executive Vice Presidents, and senior management coordinate day-to-day operations, such staff being ‘the primary conduit for relations with member states’ (Broome and Seabrooke, 2012, 7). In reference to the Group President, Jochen Kraske argued that they ‘were not only the source of power in the institution; they were also the ones the staff looked to for signals that would indicate the Bank’s primary mission and its
operational priorities in a changing world’ (1996, vii). Under a “Gentleman’s Agreement” dating back to the 1940s, the United States selects the Group President, while the leading European powers nominate the IMF Managing Director. The incumbent Group President, the twelfth, is Jim Yong Kim, who serves as Chairman of the World Bank’s Board of Executive Directors and senior officer of the IBRD and its affiliates. However, the role is different in practical application for the IFC and the MIGA – the “private sector arm”. While serving the President, the Executive Vice Presidents of these affiliates determine their own strategic objectives. Jin-Yong Cai and Izumi Kobayashi are the current Executive Vice Presidents of the IFC and MIGA respectively.

Two controversies have arisen from the unique arrangement of the Group’s membership and representation. First, it cannot be held accountable for its actions. Second, one country alone holds veto power – the United States.

While it has an executive branch, the Group does not have a representative branch. With its AAA financial rating and the fact that neither the Board of Governors nor the Executive Directors can micromanage economists on-the-ground, it is effectively free from public and private sector oversight and control (Ayres, 1983; Selassie, 1984, 39; Adams, 1992, 111; Woods, 2001b; Bruner, 2003, 690; Stone, 2008, 591). At best, it is accountable as far as admitting errors without accepting responsibility; it ‘always seems to leave the confessional with a clear conscience, say three Paters, three Aves, issue three press releases and go back, shriven and absolved, to business as usual’ (George and Sabelli, 1994, 94). The expansion of financial and technical assistance has not seen a corresponding increase in accountability.

While its poorest member countries – the main recipients of its development assistance – are minimally represented, one country alone holds veto power (over admitting new members and changing the rules of the institution) – the United States. Because of this, it is widely held that the United States enjoys a position of privilege within the Group, influencing the character of its meta-paradigm (Swedberg, 1986, 379-389; Gwin, 1997, 250; Thacker, 1999, 67-68; Bulow, 2002, 245; Wade, 2003, 80; Chander, 2005, 1221; Tarullo, 2005, 295; Andersen, Hansen and Markussen, 2006, 773; Woods, 2006, 138; Weaver, 2007, 500; Stone, 2008; Babb, 2009, 20). This should
not come as a surprise. Ever since the end of the Second World War, to adopt a phrase coined by Michael Mastanduno, the United States has been both “a system maker and a privilege taker” (2009, 122), manipulating the core project in such a way as to help its own political and economic agenda.

In saying that, this thesis does not subscribe to the view that the Group is merely a pawn of American foreign policy. It is not a weak institution subject to the whims of the United States, and arguments to the contrary oversimplify the complex reality of the situation (Goldman, 2005; Grant and Keohane, 2005, 29-31; Gutner, 2005, 22-23; Stein, 2008, 6-7). This thesis does however concede that the United States has exercised considerable influence over the decades, particularly in terms of shaping the Bretton Woods and neoliberal core projects. Thus, while the United States enjoys a position of privilege, the Group is not a slave to its foreign policy objectives.

The Bretton Woods Era

Between 1945 and 1973, following a summit of forty-four countries at the Mount Washington Hotel in Bretton Woods, New Hampshire, to negotiate the post-war international economic order, there reigned the Bretton Woods monetary regime. Meeting at the United Nations Monetary and Financial Conference of July 1944, today known as the Bretton Woods Conference, these countries not only proposed what would become the post-war order, but also formalised the Bretton Woods institutions: the IMF and the IBRD. A time defined by American hegemony, Western liberal ideals, the Keynesian intellectual revolution, and international organisations, a time shaped by decolonisation and the fears imbued by the Great Depression, the Second World War, and crystallising Cold War antagonisms, the Bretton Woods core project and its sibling institutions took to the stage of the world economy.

The Bretton Woods Conference

At the invitation of American President Franklin D. Roosevelt, the United Nations Monetary and Financial Conference met from 01 to 22 July 1944. Participants included representatives from forty-four countries, including the United States, the United Kingdom, and the Soviet Union, though the
The communist bloc had very little impact on its outcome; decision-making power was concentrated in North America and Western Europe. The purpose of the Bretton Woods Conference was to formulate definite proposals for the post-war international economic order and to draw up the *Articles of Agreement* of the IMF and IBRD, which became effective in December 1945. Both had received several years of exploratory discussion between financial and monetary experts, including British economist John Maynard Keynes and Assistant Secretary to the United States Treasury Harry Dexter White.

The primary motivation for the conference was to ensure that the beggar-thy-neighbour policies, intellectual agenda, and institutional arrangements of the Inter War Years were avoided after the Second World War. Criticising the floating of exchange rates as inherently unstable and detrimental to global trade, the preferred alternative was a regime based upon fixed – but adjustable – exchange rates, a gold standard linked to the American dollar (US$35/1oz fine gold), multilateralism, trade liberalisation, and Keynesian full national employment policies. It was thus an attempt to reconcile liberal multilateralism with the Keynesian welfare state (Versluysen, 1981, 29-30; Pilling, 1986, 142-143; Biersteker, 1993, 17-18; Eichengreen and Kenen, 1994, 11; Roxas, 1996, 3; Jones, 2002, 213; Lee, 2003, 878; Obstfeld and Taylor, 2003, 132). It also revealed an uncharacteristic willingness by the United States to assume a global leadership role, unusual given its earlier dissociation from the League of Nations (Peet, 2003, 38; Helleiner, 2006, 944). To ensure the ambitions of the Bretton Woods Conference, the IMF was to maintain the stable exchange rate regime, while the IBRD was to assist post-war European reconstruction (Neu, 1993, 7; James, 1996, 47).

Ironically, the Bretton Woods institutions were ineffective in implementing the Bretton Woods Agreement, as they were unable to create the necessary conditions for currency convertibility. It was actually the Marshall Plan that achieved this. Active from 1948 to 1952, the Marshall Plan committed US$4 billion each year, surpassing the IMF and the IBRD, which barely provided several hundred million dollars in total over the same period (Eichengreen and Kenen, 1994, 15; Reifer and Sudler, 1996, 16; Alacevich, 2008, 2). The Bretton Woods institution were unable to achieve their initial *raison d’être*. 
The Keynes Plan and the White Plan

The intellectual fathers of the Bretton Woods institutions, and the central protagonists at the conference, were John Maynard Keynes (of the British delegation and informally appointed Advisor to the Treasury) and Harry Dexter White (of the American delegation and Assistant Secretary to the Treasury, serving under Henry Morgenthau, Jnr.). While privately respecting and admiring each other, even developing a close friendship, the intellectual conflict between Keynes and White became synonymous with the power struggle between the two countries ultimately burdened with implementing the post-war international economic order: the United States and the United Kingdom (Baumgartner and Burns, 1975, 152-154; Helleiner, 1994, 33-35).

Despite a consensus over the objectives of the conference (including the need for capital controls, currency stability, full employment policies, the autonomy of the welfare state, and hostility towards state protectionism), divergences of opinion, triggered by national interest clashes, emerged in regards to method (Beckhart, 1944, 491; van Dormael, 1978, x; Ikenberry, 1993, 69-70; Gowan, 1999, 16-17; Peet, 2003, 32). Keynes was acutely concerned with Britain’s deteriorated economy and rampant unemployment that resulted from the Second World War, leaving his delegation relegated to the position of debtor. In contrast, White, who James Boughton described as ‘the most important U.S. government economist of the twentieth century’ (2001, 219), was much more interested in expanding the largely unscathed American economy by resuscitating global trade and finance, leaving his delegation in the position of creditor (Eichengreen and Kenen, 1994, 11; Helleiner, 1994, 33-35; Skidelsky, 2000, 182). The contrasting frameworks of the Keynes Plan and the White Plan – the blueprints for the IMF and the IBRD – epitomised the divergences between these delegations.

The Keynes Plan called for the creation of an International Clearing Union. This was to be endowed with a new international currency called "bancor" to be accepted universally upon a fixed exchange rate set to a gold standard, ensuring global liquidity. Designed to operate internationally in a manner similar to a domestic central bank (and thus leading to an advanced stage of institutional monetary arrangements), the International Clearing Union
was designed to ensure the economic, political, and social stability of its member countries, as well as of the international economic order (van Dormael, 1978, 36; Stiglitz, 1999b, F577-F578; Cesarano, 2003, 506-507).

In contrast to the White Plan (see below) and its preferred construction of a Stabilisation Fund drawing finance from subscribed capital, the International Clearing Union would have created overdrafts out-of-nothing; the bancor would have been lent to countries in deficit, with repayments automatically triggering once external imbalances were reversed (van Dormael, 1978, 170; Cohen, 1982, 460; Skidelsky, 2000, 245). Keynes argued that this would encourage trade and full national employment through the insurance of international purchasing power (Overbeek, 1993, 397). While Keynes’ official biographer Robert Skidelsky regarded this as a “realisable utopia”, the American delegation at Bretton Woods concluded that it was a “reckless experiment”, one likely leading to global inflation (Skidelsky, 2000, 245).

The White Plan, rejecting the International Clearing Union, called instead for the establishment of a Stabilisation Fund. Although similarly concerned with liquidity, White opposed the unlimited liability – or overdrafts out-of-nothing – of the Keynes Plan, arguing that it encouraged financing rather than adjustment. As the United States was the only country capable of exercising the role of global creditor, White was convinced that the American Congress would never accede to the impositions of such a burden (Harrod, 1951, 542; Overbeek, 1993, 397; Cohen, 1982, 463; James, 1996, 42; Nerozzi, 2009, 19-20). To overcome these American concerns as creditor, White’s Stabilisation Fund would draw upon a far more limited supply of subscribed capital, empowering the United States. Given the relative standing of the United States and the United Kingdom as creditor and debtor respectively, Keynes’ International Clearing Union was discarded (Cesarano, 2003, 509).

Interestingly, for all the years of planning, the idea of an International Bank specialising in reconstruction and development was an afterthought, as the International Clearing Union and Stabilisation Fund were competing proto-variations of the IMF. Luis Machado and Ansel Luxford, both of whom were involved at Bretton Woods and the formative years of the IBRD, commented as much. The former IBRD Executive Director (1946 to 1948) and Governor
for Cuba (1949 to 1960), Machado stated that ‘at the time of the conference the delegates attending were much more interested in what became the [IMF] than in the Bank’ (1961, 3). Similarly, Luxford, who served as the IBRD Assistant General Counsel (1946 to 1951), recalled that it was a lot harder to convince the delegates to agree on the IMF than on the IBRD, and that is ‘why the Charter always said you couldn’t belong to the Bank unless you belong to the Fund’ (1961, 6). The IBRD was therefore an afterthought.

Proposed by White, who argued that an International Bank specialising in reconstruction would ensure post-war cooperation, Keynes brought the idea to fruition (van Dormael, 1978, 198; Gwin, 1997, 197; Skidelsky, 2000, 244; Thomas, 2007, 731). Keynes recommended several amendments to White’s framework, including that capital markets should generate its assets rather than subscriptions and that its mandate should broaden to include general-purpose loans, not just project loans (Gwin, 1997; Mikesell, 2000). Given the unceremonious demise of his International Clearing Union however, Keynes was painfully aware that any suggested amendment would require the consent of the American delegation. Thus, the Stabilisation Fund – soon to be called the IMF – would act as a “monetary police officer”, exercising a short-term balance-of-payments adjustment role, while the International Bank – soon to be called the IBRD – would assist longer-term reconstruction and development (Ferguson, 1988; Holland, 1994; Gavin and Rodrik, 1995; Caufield, 1996; Hill, 2000; Peet, 2003; Masson, 2007, 895).

In the end, the delegates at the Bretton Woods Conference regarded it as an undisputed success (van Dormael, 1978, 2-3). As Keynes commented on the final day of the conference, ‘Too often lawyers are men who turn poetry into prose and prose into jargon. Not so our lawyers here in Bretton Woods. On the contrary, they have turned our jargon into prose and our prose into poetry’ (cited in George and Sabelli, 1994, 34). However, the true challenge was about to begin. The Bretton Woods Agreement had become a reality.

**Keynesianism and State-Led Development**

During the Bretton Woods Conference, the American delegation exercised considerable influence (although the powerful presence of Keynes ensured
that they did not fully monopolise the proceedings). This was a departure from its reluctant involvement in multilateral endeavours during the Inter-War Years. An attempt to project its domestic liberal polity upon the world economy, the Bretton Woods monetary regime became a macrocosm of the American New Deal regulatory state (Baumgartner and Burns, 1975, 152; Bergesen and Schoenberg, 1980, 241; Wallerstein, 1980, 22; Burley, 1993, 125; Eichengreen and Kenen, 1994, 12; Holland, 1994, 169; Synott, 2009, 73-74). It was based upon fixed, yet adjustable, exchange rates (permitting one percent fluctuations above or below central parity), pinned to a gold standard, which was linked to the American dollar. In de facto practice, the gold standard became the dollar standard, as international reserves were determined by the balance-of-payments deficit of the United States (van Dormael, 1978, 200; Versluysen, 1981, 45-46; Woods, 2001a, 280; O’Brien and Williams, 2004, 226). The linking of the gold standard to the American dollar meant the financial security of the United States, provided the system remained stable, as overseas lending secured its external deficits (Harrod, 1951, 563; Versluysen, 1981, 27; Mastanduno, 2009, 129). Thus, in terms of constructing, projecting, and legitimising the Bretton Woods core project between the mid 1940s and the early 1970s, the United States exercised, analogous to what Thomas Carlyle described of Britain’s nineteenth century hegemonic position, the role of global “constable” (Bruner, 2003, 637-638).

Underpinning the Bretton Woods monetary regime, tempered by economic liberalism, was the Keynesian advocacy of state intervention to manage demand, as detailed in Keynes’ *The General Theory of Employment, Interest and Money* (1936). Keynes argued that ‘provided the state intervened to manage the level of demand, the process of perfect and imperfect competition would by and large take care of what was produced, in what way and on what scale, as well as how the value of the final product would be distributed’ (1936, 380). Keynesianism thus held to the presumption that the state was necessary to correct market imperfections (Adams, 1993, 20; Holland, 1994, 35-36; Roxas, 1996, 1; Peet, 2003, 38-39; Best, 2004, 387-388; Woods, 2006, 20-21). This was in contrast to the later neoliberal core project and its faith in the ability of the free market to achieve equilibrium, where the restructuring of the state led to greater freedoms for the market.
Endorsed by both Keynes and White at the Bretton Woods Conference, the core of Keynesianism focused on how to boost an economy out of a slump, the need for investment in that process, and the assumption that the public sector was essential to achieving economic growth (Duvall and Freeman, 1981, 99-100; Berger, 2004, 1; McKay, 2004, 46-47). Development was an economic problem, solvable by the mathematical application of the correct formula (Somjee, 1991, 6). External agents were required to solve domestic problems, particularly via the transfer and adaptation of advanced Western technologies, ideas, and practices, guided by an active state (Ravin and Vidal, 1986, 207-208; Bilinsky, 1994, 236-237; Hettne, 1995, 39-40; Seely, 2003, 7-13). Without question, this was the Rostowian orthodoxy writ large.

Roy Harrod and Evsey Domar, who associated ‘growth in income (demand) in the economy with the level of investment and the capital-output ratio’ (Williams, 1998, 3), were among the first to embed Keynesian ideas in the development discourse. The Harrod-Domar model was a product of “growth theory”, whereby the prevailing mindset held that economic growth was the yardstick of development (Hettne, 1995, 39). Simon Kuznet’s scholarship linking industrialisation to the modernisation framework was important in reinforcing their conclusions (Pereira, 1995, 215). This remained a constant in the mainstream development discourse throughout the 1950s and 1960s.

Industrialisation was especially important to understandings of development during these decades, as it was commonly thought that the transition from a traditional agrarian to a modern industrial society was both the path and the purpose of development; ‘industrialisation is the main hope of most poor countries trying to increase their level of income’ (Chenery, 1955, 40).

Supported by the presumption that markets often function imperfectly and the conviction that wealth would “trickle down” from the rich to the poor, it was argued that economic growth was dependent upon state intervention in the development process (Krueger, 1990, 13; Brenner, 1999, 48; Stiglitz, 2002a, 78; Goldman, 2005, 14; Broad, 2006, 391; Chwieroth, 2008, 137).

The IMF and the IBRD emerged from the Bretton Woods Conference imbued with Keynesian ideals, advocating an interventionist state as a prerequisite
to realising economic growth (Berger and Beeson, 1988, 488; Rich, 1994, 63). Project-based lending capable of quantifiable returns on investment led this era, with the primary growth sectors being industry and manufacturing.

Put in context, the ideological and geopolitical antagonisms of the Cold War shaped the mainstream development discourse between the 1940s and the 1970s. Given the influential position of the United States as the vanguard of Western ideals, the Bretton Woods core project became a pro-capitalist, anti-communist vehicle, epitomised in the rhetoric of Walt W. Rostow’s *The Stages of Economic Growth: A Non-Communist Manifesto* (1960). Understandings of development, as Leonora Angeles commented, became ‘predictable, deterministic, and polarised between those who emphasised capitalist enterprise … and those who preached … revolution’ (2004, 61).

**The Collapse of the Bretton Woods Monetary Regime**

Pressured by rising instability throughout the 1950s and 1960s, the Bretton Woods monetary regime collapsed in the early 1970s. This instability arose from a steady deterioration of the American dollar against gold. At the 1944 Bretton Woods Conference, the United States was the only country capable of exercising the role of creditor guaranteeing global liquidity; the stability of the American dollar was vital to the monetary regime. The collapse of the monetary regime thus ironically resulted from the factor that ensured its initial success; the United States was unable to sustain its ongoing stability.

The collapse resulted from an internal crisis known as the Triffin Dilemma, a term coined by economist Robert Triffin in his influential *Gold and the Dollar Crisis* (1960). Triffin argued that as American dollars flooded global markets (through the Marshall Plan, the acquisition of foreign goods, and defence spending in Korea and Vietnam), a steady deterioration occurred, leading to the United States being unable to honour its commitments, undermining the stability of the fixed exchange rate system (Triffin, 1960; Garber, 1993; O’Brien and Williams, 2004, 226-231). This is a summary of his argument:

The whole system was based on confidence in the dollar’s continued convertibility. But, as Triffin observed, exposing a fundamental problem in
the international monetary system—which would become known in economic textbooks as the Triffin dilemma—the continuing erosion of the US’s net reserve position would eventually reduce confidence in the value of the dollar. Without such confidence, the dollar would no longer be accepted as the world’s reserve currency. The fixed exchange rate system could then break down, leading to instability. Therefore, in order to prevent the confidence problem, US deficits would have to be substantially reduced, but at the cost of reducing liquidity in the global system (Subbachi, 2008, 349).

French President Charles de Gaulle exacerbated this situation in the 1960s by deliberately converting dollars into gold, further eroding the currency. Following this, the United States Treasury Department made it increasingly more difficult for banks to convert dollars into gold (Cohn, 2000, 149-150).

Analogous to the steady erosion of the nineteenth century Pax Britannica (and the classic gold standard), the Pax Americana (and the fixed exchange rate dollar standard) was weakened by an internal tension within the post-war international economic order (Versluysen, 1981, 33-45; Strange, 1986, 6; Neu, 1993, 16; Frieden and Lake, 2000, 15-16; Vasudevan, 2009, 483). Economists were reluctant to ameliorate the situation, as they were fearful of a reversion back to the protectionist policies of the Great Depression. The increasingly unsustainable monetary regime was thus artificially prolonged.

Although staggering along until 1973, the Bretton Woods monetary regime effectively ended on 15 August 1971, when American President Richard M. Nixon closed the “gold window”. This meant that the dollar would no longer be convertible into gold, and was followed by the floating of the currency. An external deficit of close to US$30 billion (largely Vietnam War costs), the contraction of the American economy, and the coming onset of a currency crisis influenced this decision. The belief was that this would resolve its balance-of-payments problems, which had been building since the 1950s (Gowa, 1983, 13; Pilling, 1986, 154; Overbeek, 1993, 409; Eichengreen and Kenen, 1994, 366; Underhill, 2006, 109-110; Trachtenberg, 2011, 10).

The Smithsonian Agreement of 18 December 1971 soon followed the August announcement. It was an attempt to revitalise the weakened core project by re-linking a devalued dollar to the gold standard and by allowing greater
variances along central parities (Versluysen, 1981, 47; Mastanduno, 2009, 134). This came to nothing. By the onset of the 1973 Oil Shock, the Bretton Woods monetary regime was economic history. The spike in oil prices led to a decline in industrial output and international trade, as well as increasing unemployment and inflation rates, forcing currencies towards the floated regime (Versluysen, 1981, 100; Goldman, 2005, 14; Underhill, 2006, 109). However, the collapse of the core project was not the result of its flaws, but rather the conscious decision to avoid the painful adjustments necessary to salvage Keynesianism (Strange, 1988, 107-108; Neu, 1993, 10-11; Holland, 1994, 7; Hettne, 1995, 33; Goldman, 2005, 4; Harvey, 2007, 27).

In parallel to the deterioration of the Bretton Woods monetary regime, the rising forces of neoclassical economics and monetarism were slowly eroding the hegemony of Keynesianism. In contrast to Keynesian economic theory, the neoclassicists and monetarists held faith in market rationality, calling for floated exchange rates, the abandonment of monetary controls, unfettered market transactions, and capital account liberalisation (Chwieroth, 2008, 137-138). Jacqueline Best described this gradual erosion as the “hollowing out” of Keynesian norms; the rising tide of neoclassicism and monetarism had been melded to an increasingly distorted Keynesian framework, leaving it “Keynesian” in name only (Best, 2004, 401). Robert Wade similarly noted that by the 1960s, ‘the mainstream of American academic economics, as seen in journal articles, was defined by formalisation, quantification, and neoclassical faith in self-adjusting free markets’ (Wade, 2009, 108-109). As a caveat, however, both Keynesianism and neoliberalism, despite their clear ideological differences, remained committed to market capitalism. In the midst of global turmoil, both frameworks were “fighting to save capitalism”.

While Keynesianism advocated state intervention to correct market failures, the neoclassicists and monetarists argued the opposite, regarding the state as responsible for those failures (Jansen, 1983, 24). Nobel laureate Milton Friedman became the personification (and the most persuasive vanguard) of these increasingly popular ideas. The Keynesian orthodoxy did not retreat however simply because of mounting pressure from the supply-siders. It resulted from the unravelling of the gold standard and the devaluation of the American dollar (Mundell, 1983, 45; Holland, 1994, 8-9). The retreat of
Keynesianism created a vacuum the neoclassicists and monetarists could fill. In the words of Luiz Carlos Bresser Pereira, the ‘slowdown of the world economy and the acceleration of inflation rates in the 1970s gave rise to stagflation. The Keynesian consensus broke down and an opportunity emerged for the rise of a New Right intellectually well equipped for fighting the state’ (Pereira, 1995, 219). Given the inability of developed countries to combat the upheavals crippling the world economy, the emergent neoliberal paradigm was readily embraced because it appeared to offer a simple way out (Berger and Beeson, 1988, 490; Margheritis and Pereira, 2007, 43-44).

The Neoliberal Era

Following the collapse of the Bretton Woods monetary regime, the world economy was in need of a new core project. From the growing influence of neoclassicism and monetarism, there succeeded the American-led neoliberal agenda. A supply-side framework, running opposed to the demand-side Keynesian position and underpinned by a policy triumvirate of privatisation, deregulation, and trade liberalisation, the arrival of this core project wiped the slate of the mainstream development discourse clean and began anew.

The Bretton Woods core project and its development discourse held to the premise that it was desirable (and necessary) for states to manage national economies. With the collapse of the core project, so collapsed that premise (World Bank, 1994a, 10-11; Walton, 2004, 165; McCarthy, 2009, 196-197). Yet, when ‘it comes to international monetary economics, it is said that the exam questions stay the same over time, but the correct answers to them change’ (Frankel, Schmukler and Servén, 2000, 59). With the breakdown of the Bretton Woods monetary regime and its Keynesian base, the pendulum swung from favouring the state to placing absolute faith in the market. With this turn, neoliberalism became the new orthodoxy of the world economy.

David Harvey, a leading commentator and critic of neoliberalism, offered the following definition, broadening the concept beyond simple economics:

Neoliberalism is a theory of political economic practices proposing that human well-being can best be advanced by the maximisation of
entrepreneurial freedoms within an institutional framework characterised by private property rights, individual liberty, unencumbered markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices ... State interventions in markets ... must be kept to a bare minimum because the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interests will inevitably distort and bias state interventions (particularly in democracies) for their own benefit (Harvey, 2007, 22-23).

While maintaining the Keynesian assumption that development is mainly an economic issue, the dichotomy between the demand-side and supply-side positions centres on the respective roles attributed to the state and market. Championing the rollback of the state, the neoliberal framework concludes that economic growth can only result from 'free markets, free trade, free capital mobility, and limited government’ (Islam and Chowdbury, 2000, 7). It argues that markets are the most efficient means of resource allocation, are preferable to state intervention, and should not be constrained in any situation (Holland, 1994, 8; Krasner, 2000, 20; Nayyar, 2001, 6-7; Henisz, Zelner and Guillén, 2005, 873; Stubbs, 2005, 3; Greenspan, 2007, 72-73).

Three schools of thought contributed to the genesis of neoliberalism (Yergin and Stanislaw, 1998, 123; Peet and Hartwick, 1999, 49-50; Peet, 2003, 10; Best, 2004, 391 and 401; Henisz, Zelner and Guillén, 2005, 873). First, the postulations of neoclassical economics, embodied in the work of Friedrich von Hayek, who jointly received (alongside Keynesian Gunnar Myrdal) the 1974 Nobel Prize in Economics, revealing the mainstreaming of an economic position sidelined since the Great Depression. A renaissance of free market capitalism and classical liberalism as advocated by Adam Smith and David Ricardo, Hayek drew upon observations of Fascist Italy, Nazi Germany, and Soviet Russia to conclude in The Road to Serfdom (1944) that state control and planning inevitably lead to the “serfdom of the individual”. Second, monetarism and the musings of the Chicago School of Economics, championed by Milton Friedman, who argued that macroeconomic problems derive from excessive government spending, and thus should be rolled back in order to allow for the unfettered free market. Following Hayek, Friedman received the 1976 Nobel Prize in Economics, securing the paradigm shift in the discipline towards neoliberalism. Third, laissez-faire and individualistic
ideals glorified by such authors as Ayn Rand. In her magnum opus, *Atlas Shrugged* (1957), Rand considered and prescribed the tenets of Objectivist philosophy, positing that the pursuit of rational self-interest is the proper moral purpose of human life, and that the only social system consistent with that purpose is one characterised by a respect for individual rights and free market capitalism. Neoliberalism thus extols the market and the individual.

As an aside to the intellectual origins of neoliberalism, the establishment of the Mont Pèlerin Society was a quintessential moment, particularly in terms of establishing a global network of likeminded individuals. Led by Hayek from 1948 to 1960, following its first gathering in April 1947 at the Hôtel du Parc, Switzerland, the Society helped internationalise neoliberalism. As per its 1947 *Draft Statement of Aims*, the Mont Pèlerin Society held to the base principle that ‘individual freedom can only be preserved in a society in which an effective competitive market is the main agency for the direction of economic activity’ (Plehwe, 2009, 13-14). The Society was preceded by the Colloque Walter Lippmann, which was established in 1938 in honour of Walter Lippmann’s (*An Inquiry into the Principles of* The Good Society (1937). To the colloquium, neoliberalism embodied the priorities of the price mechanism, free enterprise, competition, and a strong and impartial state.

**Oil Shocks and a Debt Crisis**

Gaining momentum from the attempt by the Kennedy Round of the General Agreement on Tariffs and Trade negotiations (1962 to 1967) to liberalise world trade, market-centric ideas came to dominate academic and policy circles. Secured by the 1973 and 1979 Oil Shocks and the 1982 Debt Crisis, Keynesianism was abandoned in favour of neoliberalism. Consequently, Robert Lucas was able to confidently assert in 1980 that ‘One cannot find good, under-forty economists who identify their work as “Keynesian”. Indeed, people even take offence if referred to as “Keynesians”. At research seminars, people don’t take Keynesian theorising seriously anymore; the audience starts to whisper and giggle to one another’ (Lucas, 1980, 18-19).

The 1982 Debt Crisis had its origins in the 1973 and 1979 Oil Shocks. Put simply, the Oil Shocks were steep price hikes in the cost of petroleum. The
Organisation of Petroleum Exporting Countries (OPEC), taking advantage of a global commodity boom, raised the price of petroleum threefold in 1973 to stabilise their deficits. This led to inflationary pressures and recessions in petroleum importing countries (James, 1996, 260; Howse, 2002, 101-102). While the mid 1970s saw a return to relative normalcy, a second threefold increase occurred in 1979, largely driven by the overthrow of the Shah of Iran by the Ayatollah Khomeini, which led to further inflationary pressures that did not settle until petroleum prices returned to their real value in 1986 (Mosley, Harrigan and Toye, 1991, 5-6). Both Oil Shocks added to the instability already created by the collapse of the Bretton Woods monetary regime, and triggered investor panic in developed and developing countries. Indeed, the 1973 Oil Shock, though less severe than its 1979 counterpart, caused such concern that British intelligence reports have revealed that the United States considered invading several OPEC countries – Saudi Arabia, Kuwait, and Abu Dhabi – to restore petroleum prices (Harvey, 2005, 27).

The correlation between the Oil Shocks and the 1982 Debt Crisis has to do with the OPEC countries recycling their petrodollar surpluses in Western financial institutions. As global wealth shifted from petroleum importing to exporting countries, these banks, keen to capitalise on the flood of money, recycled the petrodollars by providing large loans to developing countries. This occurred without significant oversight or scrutiny due to the abundant liquidity of the petroleum exporters (Strange, 1986, 18-19; Mosley, Harrigan and Toye, 1991, 6; O’Brien and Williams, 2004, 237-238). At the same time, the Nixon administration, attempting to distance the American economy from the turbulence ravaging global markets, liberated private banks from any constraints on international lending (Gowan, 1999, 22-26). This led developing countries to accrue unserviceable levels of debt rapidly.

During the mid 1970s, the situation was largely unchallenged. However, to combat the inflationary pressures caused by the 1979 Oil Shock, developed countries (specifically the United States and the United Kingdom) promptly raised interest rates. Bank loans sharply jumped from an average of 0.8 percent during the 1970s to eleven percent in 1982 (Helleiner, 1994, 175; O’Brien and Williams, 2004, 270). Consequently, developing countries were deemed no longer viable to private banks and voluntary lending ceased until
the mid 1980s. In 1982, the shared debt of the developing world exceeded US$837 billion (Petersmann, 1988, 39-40; Stewart, 1995, 2). Following an historic announcement by the Mexican government on 13 August 1982 that it lacked the liquidity to honour its existing debts, the Debt Crisis began, soon spilling over to other states in Latin America and Sub-Saharan Africa.

With the end of the gold standard, the devaluation of the American dollar, balance-of-payments deficits, and inflationary pressures caused by the 1973 and 1979 Oil Shocks, mainstream academia concluded that macroeconomic intervention via neoliberal adjustment measures was the “solution” (Howse, 2002, 101; Rupert, 2003, 191-192; Hettne, 2010, 37-38). It was a result of the world economy in crisis that the once radicalised neoliberal alternative was accepted. Departing completely from the Keynesian base of the Bretton Woods monetary regime, the American-led neoliberal agenda prescribed the unfettering of the market to reclaim economic stability (Biven, 1989, 145; Maswood, 2000). Neoliberalism became the “saviour” of the world economy.

This led to radical changes in the global social relations of production. The rise of neoliberalism paralleled a shift in resources from one part of society to another and from one part of the world to another. It specifically altered the power relations between capital and labour. The Bretton Woods era saw the advantage of labour vis-à-vis capital. This had reversed however by the 1970s. With the Oil Shocks, capital reclaimed the advantage, arising from the scarcity of employment opportunities, rapidly spiralling wage prices, and stagflation (Kapstein, 1996, 21; Wolfson, 2003, 255; Harvey, 2007, 27-28).

With the neoliberal turn, there was a geographical shift in global production from developed to developing countries. Privatisation, deregulation, and trade and financial liberalisation meant that capital was becoming far more mobile. In the face of such depressing economic conditions, labour was incapable of negotiating the situation to its advantage, particularly since capital could easily move to a new location (Duménil and Lévy, 2001, 578; Kotz, 2009, 306). Neoliberalism signalled the return of capital’s rule, which became entrenched upon the establishment of the “Washington Consensus” between the United States Treasury Department, the IMF, and the Group.
The Washington Consensus

Theories of development from the 1940s through to the 1970s presupposed that the state had an essential role to play in spurring economic growth. For the classic modernisation framework, an active state was critical to ensuring progress through the Rostowian stages of development; the transition from a traditional agrarian to a modern industrial society required state guidance.

With the neoliberal core project however, there was a complete turn away from this mindset. The state was now the problem; it was the reason why countries were not developing and why they remained impoverished. Development required the unfettered free market. The term “Washington Consensus” came to typify this mentality. It became the new modernisation framework. The only path to development was one based upon the market.

The close ideological alignment of the United States Treasury Department, the IMF, and the Group during the 1980s led economist John Williamson in *Latin American Adjustment: How Much Has Happened* (1990) to coin “the Washington Consensus”. Named for the close proximity of their respective headquarters in Washington, D.C. (Treasury Department, 15th Street; IMF, 19th Street; and, World Bank, 18th Street), the term came to encompass the intellectual consensus and one-size-fits-all mentality of the neoliberal core project. In due course, it referred not only to these institutions, but also to universities, think tanks, media outlets, and any of the technocratic elite aligned to neoliberalism (Bonal, 2002, 6; Harvey, 2005, 93; Stiglitz, 2006, 16; Woods, 2006, 53; Harvey, 2007, 23; Marangos, 2009, 350). As such, Paul Krugman regarded the consensus as between ‘those who meet each other in Washington and collectively define the conventional wisdom of the moment’ (1995, 29). Since developing countries were financially dependent on the IMF and the Group after the cessation of private lending, the Bretton Woods institutions, which had been purging Keynesian economics (and economists) from their ranks, were able to disseminate neoliberal norms via conditional policy-based loans (Sobhan, 1993, 5; Bello, 2000, 12-13; Rose, 2003, 70-71; Williamson, 2005, 199; Babb, 2009, 146). Importantly, these neoliberal ideas ‘never gained widespread legitimacy in the developing
world outside of the technocratic elite and parts of the small middle class’ (Broad and Cavanagh, 2009, 69). Neoliberalism was an agenda of the elite.

Viewing the world economy as “fixable”, the Washington Consensus initially included the following ten axiomatic generalisations (Williamson, 1990, 7):

- Fiscal discipline;
- The reorientation of public expenditures towards neglected sectors, including health, education, and infrastructure;
- Tax reform;
- Financial liberalisation;
- Trade liberalisation;
- Floated exchange rates;
- The abolition of barriers to FDI;
- Privatisation;
- Deregulation; and,
- Secure property rights.

This list was later expanded to include the following (Peet and Hartwick, 1999, 54; Gore, 2000, 790; Standing, 2000, 738; Bray and Bray, 2002, 118; Rodrik, 2006, 978; Margheritis and Pereira, 2007, 34; Montiel, 2007):

- Corporate governance;
- Flexible labour markets;
- World Trade Organisation agreements;
- Financial codes and standards;
- Prudent capital account opening;
- Non-intermediate exchange rate regimes;
- Independent central banks;
- Social safety nets; and,
- Targeted poverty reduction.

Just as the classic Rostowian framework proposed five immutable stages of development, the Washington Consensus declared that the above neoliberal prescriptions were universal prerequisites to achieving economic growth.
By the 1990s, the Washington Consensus had become so pervasive that it had redefined the parameters of development. Given the market-centricism of the neoliberal core project and its rhetoric on the interconnectedness of the world economy, the term “globalisation” replaced “development”. As Immanuel Wallerstein put it, ‘Development was suddenly out. Globalisation arrived in its wake’ (2005, 1265). With the fall of the Soviet Union and the end of the Cold War, globalisation became the zeitgeist of the mainstream development discourse (Yeung, 1998, 292; Robinson, 2001, 162; Bray and Bray, 2002, 117; Kim and Shin, 2002, 448; Obstfeld and Taylor, 2003, 126). To adopt Thomas Friedman’s famous phrase, the consensus became a “Golden Straitjacket”; economic growth required the relinquishment of national economies to the unfettered free market (Friedman, 2000, 105).

The Washington Consensus was subject to venomous criticism, far more than was ever received by the Bretton Woods monetary regime. Its critics claimed that it became an expression of modern empire, given that “there is no alterative” (Margaret Thatcher’s fêted TINA) to the “utopia” of the free market and the self-interested *homo oeconomicus* (Held and McGrew, 2002, 62; Steinmetz, 2005, 342; Moore, 2007, 31). Jamie Morgan, adopting an argument of Pierre Bourdieu, held that ‘neoliberalism is a screen discourse or the universal clothes of the new imperialism – cultural, economic, and political. As such it permeates language, offering a ready vocabulary replete with consequences for lived human being’ (Morgan, 2003, 542). More than a simple economic theory, neoliberalism quickly became a social philosophy.

Its critics also claimed missing causal links between its tenets and reality. As one example, Joseph Stiglitz rebuked the simplicity of the Washington Consensus, particularly its conviction of the perfectibility of the free market (Stiglitz, 2002, 74). To illustrate, the world economy has increasingly faced financial crises since the beginning of the neoliberal era in the early 1980s. Recognising this, Stiglitz commented that ‘If there is a single accident on a road, one is likely to look for a cause in the driver, his car, or the weather. But if there are hundreds of accidents at the same bend of the road, then questions need to be raised concerning the construction of the road itself’ (Stiglitz, 1999a, 1509). For Stiglitz, neoliberalism led to systemic instability.
The Bretton Woods Institutions and Policy-Based Lending

The Oil Shocks and the Debt Crisis produced two outcomes significant to the IMF and the Group. First, as private banks no longer deemed developing countries viable to receive loans, a seismic shift occurred as those countries turned to the Bretton Woods siblings. With the cessation of private lending, the developing world had no alternative (Pereira, 1995, 211; Cohn, 2000, 173; Dethier, 2009, 3). Second, the severe turbulence ravaging the world economy, paired with the emergent neoliberal agenda, led past approaches to development assistance to be viewed as outdated. Project-based lending, the norm of the Bretton Woods era, was deemed incapable of resolving the economic problems plaguing developing countries. Far more interventionist, policy-based measures were required. As a result, the mandates of the IMF and the Group began to overlap, with both institutions pursing neoliberal stabilisation and adjustment measures (Broad, 1988, 46; Amin, 1997, 18; Polak, 1997, 481; Krueger, 1998, 1988; Bello, 2000, 6; Howse, 2002, 101; Stiglitz, 2002a, 13; Lee, 2003, 879; O’Brien and Williams, 2004, 277). It soon became difficult to distinguish their respective specialisations. The rise of soft technical assistance in the Group was a notable consequence of this.

Policy-based lending was designed to address long-term development goals through the prescription of macroeconomic reforms aimed at the supposed root causes of economic problems. In contrast, project-based loans were designed to address temporary issues (i.e., the construction of a dam) (de Vries, 1987, 55-56; Mosley, Harrigan and Toye, 1991, 65-66; Corbo and Fischer, 1992, 7-8; Harrigan and Mosley, 1992, 147). Structural adjustment loans (SALs) and sectoral adjustment loans (SECALs) became the two most visible and controversial types of policy-based loans provided by the World Bank during the 1980s and 1990s, particularly in terms of projecting the neoliberal core project. SALs and SECALs prescribed the supply-side policies of privatisation, deregulation, tariff cutting, exchange rate adjustment, currency devaluation, trade liberalisation, and capital account liberalisation, all to the purpose of ensuring economic growth and balance-of-payments equilibrium (Biersteker, 1990, 486; Webb and Shariff, 1992, 69; Stewart, 1995, 144-145; Williams, 1999, 90; Webber, 2001, 7; Berkman, 2008, 76).
First instituted to counteract the destabilising effects of the 1979 Oil Shock, as project-based lending was deemed too slow disbursing and ineffective, the World Bank Board of Governors approved the initiation of SALs in late 1980. SECALs followed in 1983. By the close of the decade, policy-based lending accounted for twenty-five percent of IBRD financial assistance and fifty percent of loans to heavily indebted countries (World Bank, 1981b, 69; Corbo and Fischer, 1992, 7; Cassen, 1994, 69). The shift from hard to soft technical assistance ensued, seen as a means to assist the implementation of neoliberal policy reforms (Cassen, 1994, 80; Shihata, 1991, 215-216).

A controversial element of policy-based lending was the highly contentious attachment of conditionalities. A contractual obligation imposed upon both parties, loan conditions concern the performance of stipulated activities by the recipient to ensure the continued receipt of financial assistance. While heavily criticised as breaking the World Bank’s policy of political neutrality, the attachment of conditionalities only became divisive upon their pairing to neoliberal adjustment measures, as project-based loans included conditions during the Bretton Woods era (Biersteker, 1990, 489; Checkel, 2005, 809). It was the neoliberal agenda, and not conditionality, that was controversial.

The Post-Washington Consensus

While en vogue throughout the 1980s, the 1990s saw an increasingly vocal backlash against the market fundamentalism of the Washington Consensus. The backlash came not only from developing countries, but also from senior officials in the Washington-based institutions. A strong argument emerged for balancing free market principles with selective state intervention, good governance, and efficient regulatory institutions. Conceding the prevalence of market imperfections in the world economy since the early 1980s, the “post-Washington Consensus” sought to revitalise the troubled neoliberal core project (Fine, 1999; Öniş and Şenses, 2005, 265; Montiel, 2007, 120).

Conference on Trade and Development in Geneva. Stiglitz commented that the policy triumvirate of privatisation, deregulation, and trade liberalisation underpinning the Washington Consensus had become dogma, becoming an end in itself rather than a means to achieving economic growth (Perales, 2004, 414). Several prominent academics, notably including Stanley Fischer (who was then Deputy Managing Director of the IMF), Paul Davidson, Ravi Kanbur, Paul Krugman, and Dani Rodrik, soon joined him (Purdy, 2004, 15-16; Öniş and Şenses, 2005, 274). However, as Paul Davidson conceded, the calls of the post-Washington Consensus were merely “plumbing” reforms that did not ameliorate the flaws of the system (Davidson, 2004, 591-592).

The post-Washington Consensus was a backlash against the simple fact that market fundamentalism was failing to achieve its claims. Proponents of the new consensus sought to re-evaluate the relationship between the state and the market, particularly the importance of governance institutions to the negotiation, coordination, and regulation of national economies (Fine, 2001, 139; Perales, 2004, 414; Purdy, 2004, 15-16; Montiel, 2007, 120-121; Serra, Spiegel and Stiglitz, 2008, 11; Broad and Cavanagh, 2009, 98-100).

This paradigm shift (or, more appropriately, augmentation) was sparked by criticisms of the negative consequences of neoliberal adjustment, its one-size-fits-all fallacy, widespread corporate scandals, rising opposition from dissident governments, the fact that the East Asian "miracle economies" were achieving spectacular growth with the support of an active state, and the failure of neoliberal reforms during the 1997 Asian Financial Crisis. The end of the 1990s saw the Washington Consensus at its lowest ebb (Stiglitz, 2002a, 13; Rose, 2003, 75-76; Broad, 2004, 132-134; Perales, 2004, 414).

It was at this point that a schism emerged dividing the IMF and the Group, with the Bretton Woods institutions publicly disagreeing over the nature of neoliberal reforms and the efficacy of the Washington Consensus. Although the IMF was reluctant to change, the Group gradually adopted elements of the new consensus. During the 2000s, the Group applied its energies to the strengthening of judicial systems, banking regulations, and capital markets, the combating of government corruption, and the decentralisation of state power to include sub-national levels (Santiso, 2001, 829; Cameron, 2004,
Because of this, John Williamson concluded that given the ideological conflict between the United States Treasury Department, the IMF, and the Group as to the neoliberal consensus, particularly on issues of fiscal policy, capital account liberalisation, and income distribution, the Washington Consensus could not be argued to exist in its original form (2005, 200-201).

The 2008 GFC furthered this trend, with the Bretton Woods siblings publicly affirming the abandonment of the Washington Consensus. As an example, former IMF Managing Director Dominique Strauss-Kahn clearly stated in an April 2011 address that ‘before the crisis, we thought we knew how to manage economies pretty well ... This all came crashing down with the crisis. The Washington Consensus is now behind us’ (Strauss-Kahn, 2011). Former Group President Robert Zoellick offered a similar sentiment in 2009: ‘The old order is gone. We should not waste our time and tears lamenting it. Today we must build anew. Today we can put in place the foundations for a “New Normal” of growth and responsible globalisation’ (Zoellick, 2009, 5).

Major crises in the world economy have often ushered a new common sense into the commanding heights. The Group has always been sensitive to such changes. Its latest consensus is an augmented neoliberal paradigm, which acknowledges the multitude of complex interactions between states and markets (Deeg and O’Sullivan, 2009, 732; Rogers, 2010, 11). Neoliberalism has not disappeared however. Its current manifestation is simply a facelift, a tinkering around the edges. The penumbra of the neoliberal core project may be in flux, but its umbra remains (Cahill, 2011, 480). Be it the hardline Washington Consensus or the more adaptable post-Washington Consensus, the normative orthodoxy of the world economy is unabashedly neoliberal.

**Conclusion**

The Group has undergone a remarkable evolution over the past six decades. At first arising with uncertainty from the 1944 Bretton Woods Conference, it has since grown to become one of the most active, involved, and pervasive actors supporting the “improvement” of developing countries. At the same time, it has also served the Bretton Woods and neoliberal core projects. As such, those who argue that the Group has “lost its way”, who argue that it
has forgotten that it is “just a bank”, misinterpret what it is. This thesis argues that the Group is more than a development bank. It does more than simply provide loans. It is an international development institution, capable of constructing, projecting, and legitimising particular development “truths”. This is something it has nurtured. A balance must be realised between what it once was in its infancy and what it has since become, particularly given that it was first created ‘to go where angels fear to tread’ (Woods, 2006, 9).

This chapter has laid the foundations for understanding technical assistance by providing an institutional overview of the Group and by historicising the Bretton Woods and neoliberal core projects. Chapter Three – The Age of Hardware next turns to the decades between 1946 and 1973, analysing the role of hard technical assistance prior to the dawn of software. It concludes that hardware was less able to validate development “truths” than software, for its task was only to ensure the technical quality of lending operations.
Chapter Three  
The Age of Hardware  
1946 to 1973

In just three decades from 1946 to 1973, the Group secured itself as the world’s leading international development institution. From its early years of institutional and organisational growth during the 1940s and 1950s to its mission growth during the 1960s and early 1970s, it evolved from a single investment bank financing infrastructure projects to an integrated collection of institutions holistically addressing the assumed economic, political, social, and environmental challenges facing its developing member countries. Yet, when the Group commenced operations in 1946, as Ngaire Woods argued, ‘there was no existing history or economic theory that would assist in defining to whom they should lend or under what conditions. Nor did their charters assist in answering how they might practically achieve the broad objectives set for them. Each institution would have to define its tasks and tools’ (2006, 29). During these decades, the Group laid the foundations for what it would later become, responding to internal and external dynamics.

The provision of technical assistance transformed during this time, gaining a distinctive role and persona, while remaining entrenched as hardware. Rather than catalysed by crises in the world economy (as would occur in later decades), the years between 1946 and 1973 saw technical assistance evolve due to the Group’s growing legitimacy and expertise, accrued capital reserves, expanding country membership, and the desires of its presidents.

Four main types of technical assistance dominated these formative decades:

- First, technical assistance was provided as components of lending operations and as stand-alone projects by the IBRD, IDA, and IFC;
- Second, general and sector survey missions investigated its member countries, with Colombia receiving the first general mission in 1949;
- Third, the EDI was established in 1955 as a training college for senior government officials addressing the “practical” (read: infrastructural
and industrial) problems of development. The first six-month course began in January 1956 and was attended by fourteen officials; and,

- Fourth, the World Bank executed technical assistance projects – pre-investment studies, investigative missions, and advisor recruitment – financed by the United Nations Special Fund (the UNSF) and, after January 1966, the United Nations Development Program (the UNDP).

During these years, hard technical assistance reinforced the modernisation presumption that development meant infrastructural and industrial growth. While not as influential as software would later become in the construction, projection, and legitimisation of the mainstream development discourse, for the purpose of hardware was to ensure the technical quality of loans, hard technical assistance nonetheless reinforced particular development “truths”.

The main purpose of this chapter is to chart the progression of the Group through its stages of being a multilateral investment bank, a multilateral development bank, and then an international development institution. The latter laid the structure for not only the growth of technical assistance prior to the advent of software, but also the capacity of the Group to legitimate development “truths”. The following lists the nature of these three stages:

- **Multilateral Investment Bank** (1946-1963): concerned with financing infrastructural and industrial projects as per modernisation theory;
- **Multilateral Development Bank** (1963-1968) concerned still with project financing, but with a broader understanding of development, now including agriculture, primary education, and debt relief; and,
- **International Development Institution** (1968-1973) concerned with financing and knowledge, being able to influence theory and practice. It is at this point that soft power, knowledge as a form of structural power, and ideational hegemony become relevant to understanding the capacity of the Group to persuade or define structures in such a way as to make particular understandings appear as common sense.

This chapter is divided into four sections, each focusing on the distinctive characteristics of the first five Group presidents. The first section examines the presidencies of Eugene Meyer (June 1946 to December 1946) and John
Jay McCloy (March 1947 to June 1949). These two presidents are analysed at the same time because both were primarily concerned with establishing the institutional and organisational parameters of the IBRD. Consequently, financial and technical assistance played a minor role. The second section turns to Eugene Robert Black (July 1949 to December 1962). The first long term president, Black not only oversaw the creation of the IDA, the IFC, and the EDI, but he also elevated the Group to a position of respect within the international financial community. Hardware became dominant at this time. The third section explores the presidency of George David Woods (January 1963 to March 1968), who expanded the concept of technical assistance far beyond the conservative approach of the 1940s and 1950s. This was when the Group became a multilateral development bank. The final section turns to the first five years of the presidency of Robert Strange McNamara (April 1968 to June 1981), which concludes with the Group establishing itself as the leading international development institution. By this time, the Group had begun to use software, attempting to legitimise development “truths”.

Importantly, the Bretton Woods core project and its development discourse changed little during these decades. Prior to the collapse of the core project, the Group presupposed the importance of heavy state intervention. The only notable amendment was the introduction of “social issues” to the otherwise static pursuit of infrastructural and industrial growth. Although there were differences between the 1950s (a time of import substitution) and the 1960s (a time of export-led growth), the core project remained committed to state-led development (Broad, 1988, 20; Ikeda, 2006, 64).

This chapter begins on 25 June 1946 when the IBRD officially commenced operations and concludes on 24 September 1973 when Robert McNamara delivered his famous “Nairobi Speech”, which not only launched the Group’s focus on poverty, but was also the symbolic endpoint of its formative years.

**The Presidencies of Eugene Meyer and John Jay McCloy**

From 08 to 18 March 1946, the Board of Governors of the IMF and the IBRD met in Savannah, Georgia, for their inaugural annual meeting. This took place some three months prior to the IBRD opening its doors on 25 June.
On the agenda, alongside selecting a site for the IBRD headquarters, deciding the role and responsibilities of the Executive Directors, and the setting of staff salaries, was the difficult choice of appointing its president.

**Eugene Meyer: Laying the Foundations**

Seventy-year-old Eugene Meyer, who boasted a public service career in the United States dating back to the First World War, a respected reputation on Wall Street (he was head of the successful banking house *Eugene Meyer & Co.*), and ownership of the *Washington Post*, was the candidate chosen (Kraske, 1996, 26-27; Kapur, Lewis and Webb, 1997b, 10). On 18 June 1946, Meyer became the first president of the IBRD, with a total staff of twenty-five. For the six months he held office, he contributed two legacies.

First, Meyer laid the procedural and administrative frameworks of the IBRD. Given the unique nature of the institution at the time, he strove to organise the IBRD, to develop its credibility on Wall Street, and to outline its mission, which was then based upon post-war European reconstruction. This was, of course, at a time preceding the Marshall Plan. While the main motivation was post-war reconstruction, Meyer recognised in a June 1946 press release that development was also one of its two mandated priorities (IBRD, 1946). Importantly, the IBRD did not provide financial assistance during Meyer’s term, and thus did not provide technical assistance to its member countries.

Second, Meyer established the Research Department and appointed Leonard Rist, a French banker, as its Director. Its mandate was data generation on loans, guarantees, country conditions, and capital availability. From 1947 to 1953, famed economist Paul Rosenstein-Rodan served as Assistant Director. Rosenstein-Rodan influenced the investment bank mindset of the IBRD and its focus on infrastructural and industrial projects, as he had preceded Walt W. Rostow in arguing the need for a “big push” to kick-start industrialisation (Rosenstein-Rodan, 1943). From its outset, the IBRD and its fledgling Research Department supported the mainstream modernisation framework.

The appointment of Leonard Rist reflected the intellectual bias of the IBRD against economics and economists at this time. Despite the great influence
of Rosenstein-Rodan, former bankers controlled the IBRD. Rist, serving as
the Director of the Economics Department – as the Research Department
was renamed – from 1952 to 1961, had by his own admission a very limited
understanding of economics and was in part selected for that reason: ‘I
personally could only claim some use of economics for banking purposes.
[Meyer] said that was exactly what he wanted’ (Rist, 1961, 5). Andrew
Kamarck, who worked for the World Bank from 1950 to 1979, recalled that
the ‘economics people under [Rist] always felt frustrated. They didn’t feel
they were having enough to say in what was going on’ (1985a, 5). The
IBRD saw itself as an investment bank, authorised to approve or deny loan
proposals, with economics deemed unnecessary to lending operations. Hard
technical assistance reflected this investment bank persona under McCloy,
with it foremost being used to ensure that loans were feasible and effective.

Meyer tended his resignation on 04 December 1946. Although stating at the
time that the reason for his premature departure was that his intention was
only ever to establish the IBRD, reports have since revealed that he was
frustrated by the petty power plays of the Executive Directors undermining
his leadership. In the words of Edward S. Mason and Robert E. Asher, Meyer
felt he had ‘responsibility without authority’ (1973, 46). Much of his anger
was levelled at American Executive Director Emilio G. Collado, who felt, like
others at the time, that the IBRD needed to only operate as a loan window
(Galambos and Milobsky, 1995, 159). Meyer strongly opposed this opinion.

**John Jay McCloy: From Reconstruction to Development**

After three tenuous months following Meyer’s resignation, John Jay McCloy
became the next president of the IBRD. This was a precarious and uncertain
time for the Bretton Woods institution. As Davidson Sommers, who served
as General Counsel from 1949 to 1960, stated, McCloy ‘came in when the
Bank was at its absolutely lowest ebb. It was almost on the rocks. It had no
reputation. It was regarded by the British as almost a dead issue ... It had
no credit. It had no money available ... It was an empty shell’ (1961, 25).

Appointed on 28 February 1947 and in office by 17 March, McCloy was an
influential American lawyer (counsel to Chase National Bank), respected by
and respectful of the Wall Street banking fraternity. He had also held office in the American government, serving as Assistant Secretary of War during the Second World War. Joining McCloy were Robert Garner (previously Vice President and Director of General Foods) as Chief Operating Officer and Eugene Black (previously Senior Vice President of Chase National Bank) as Chief Financial Officer. Similar to the selection of Leonard Rist, the McCloy-Garner-Black triumvirate signalled to Wall Street that bankers, and not economists, were firmly in control of the IBRD. Richard Demuth, Director of the Technical Assistance and Liaison Staff after 1951, remarked that while McCloy and Black were ‘selling the Bank to the world’, it was Garner ‘who ... got the Bank into operation as an effective banking institution’ (1961, 11).

The McCloy presidency approved twenty loans totalling US$716.6 million, all designed to build agriculture, communications, industry, and infrastructure. Ten countries received these loans: five in Europe (reconstruction loans), four in Latin America (development loans, with Chile being the first member country to receive a development loan in 1948), and one to India. McCloy held a clear vision of the IBRD’s mission, defined ‘as providing the foreign financing required to carry out long-term projects which will increase the agricultural and industrial output of its member nations’ (1949, 552). It was an investment bank and its task was to finance large-scale infrastructural and industrial projects, a reflection of the mainstream discourse. Alexander Stevenson, who worked for the World Bank from 1947 to 1982, illustrated this by remarking that recipient creditworthiness was more important than the purpose of a loan when deciding whether to approve a loan (1961, 14).

The year 1948 was crucial to the shift from reconstruction to development. The reason for this was the Marshall Plan. Named for the then United States Secretary of State, George C. Marshall, it provided US$13 billion over four years to assist post-war European reconstruction. As noted in Chapter Two – Origins and History, this was also the intended purpose of the IBRD, with its first four loans being reconstruction loans. Given its limited capital and personnel however, the IBRD could not compete with the Marshall Plan. It thus made ‘steps towards a policy of development lending’ (Cope, 1961, 3). This was difficult, as development was ‘unknown terrain’ (Alacevich, 2008).
On 18 May 1949, an IBRD press release announced that McCloy had tended his resignation. A second press release soon followed, stating that he had remained in office only to assist European reconstruction and that he would leave development assistance to his successors (Kapur, Lewis and Webb, 1997b, 11). Many commentators have alternatively argued that his posting to the more illustrious position of American High Commission for Germany might have been a stronger motivating factor (Mason and Asher, 1973, 60).

Technical Assistance

Under McCloy, technical assistance was little more than a tool designed to support loan implementation, another consequence of its investment bank mindset. The turn from reconstruction to development lending played a role however in expanding the general interest in technical assistance. Pursuant to what would later become the Rostowian orthodoxy, the IBRD held that developing countries, lacking the technology and skills of the developed, required technical assistance to realise their full abilities (IBRD, 1947, 14).

The IBRD was aware of the potential of technical assistance, with its Third Annual Report to the Board of Governors, 1947-1948, listing its priorities as the stimulation of investment, the provision of technical assistance, and the analysis of development (IBRD, 1948, 16-17). Likewise, the Fourth Annual Report to the Board of Governors, 1948-1949, held that the main constraint upon its lending operations was not a lack of capital, but well prepared and planned projects (IBRD, 1949, 9). For the IBRD to maximise its role, it had to analyse, formulate, and mobilise resources to strengthen success rates. McCloy recognised this in a 1949 Foreign Affairs article, arguing that ‘more than money’ was required ‘to translate ... projects into reality’ (1949, 554). Pre-investment studies therefore came to underpin its financial assistance.

In 1949, the Department of Technical Assistance and Liaison identified five types of IBRD technical assistance: advisory services, technical information dissemination, demonstration projects, pilot projects, and training (United Nations, 1949, 32-35 and 317-318). Ensuring project success rates, and not capacity building for recipients, motivated all five types. Relegated to a support role, its technical assistance epitomised hardware. As an example,
the 1948 *Chilean Agricultural Machinery Project* financed the construction and installation of several hydroelectric plants. Technical assistance included in the loan consisted of engineering, geological, and geophysical surveys to determine the feasibility of the project and the amount of financing required (Chile, 1948). Technical assistance ensured the technical quality of lending operations only, and was not yet capable of creating development “truths”.

Interestingly, due to administrative and budgetary restraints, the IBRD was unable to service the rising demand for technical assistance through its own personnel to its forty-eight member countries. In 1950, the IBRD employed a slim operating staff of 392, which included executives, administrators, loan officers, economists, and miscellaneous personnel. There thus emerged a reliance on external consultants to deliver its advisory portfolio. As noted in 1947, ‘while the Bank cannot undertake to furnish technical assistance from its own staff on any large scale, it can help its member nations to select and procure the necessary private technicians’ (IBRD, 1947, 14). This illustrated the importance of technical assistance to its financial assistance, as the IBRD was prepared to outsource its activities to external consultants.

The United Nations embarked upon its own program of technical assistance during this time. It provided economic survey missions, research, technical information, and training in modern techniques of agriculture, industry, and manufacturing (United Nations, 1949, 33 and 53). Also, preceding the first general survey mission sent by the IBRD to Colombia in 1949, the United Nations Mission of Technical Assistance arrived in the Republic of Haiti in October 1948. The mission analysed the internal management of the state (including its political instability and its heavy debt burden) and the waning productivity of its agricultural and industrial sectors (Amrith and Sluga, 2008, 261). The United Nations thus preceded the IBRD in using technical assistance to address a far broader range of perceived development issues.

**The Presidency of Eugene Robert Black**

With the appointment of Eugene Robert Black in July 1949, there began an era of substantial growth for the Bretton Woods institution. Overseeing the establishment of the IDA, the IFC, and the EDI, Black expanded the Group
in scope, function, design, and purpose. As a result, the Group transitioned gradually from an investment bank into a development bank, achieved by discarding the conservative Meyer/McCloy mindset and entering the field of development economics. Black secured the legacy of the Group as a leading provider of development assistance influencing development practice (if not theory), realised in part via the growth of its technical assistance portfolio.

Upon becoming president, Black had a distinct image of the future. By the time he retired thirteen years later in December 1962, his vision had been realised. Acknowledging that the institution he took control of in July 1949 could not contend with the alleged development concerns facing its member countries, he expanded its financial, logistical, and intellectual parameters. Emerging from and respected by the Wall Street banking fraternity, similar to Meyer and McCloy, the widely admired Black led the IBRD into a new era. Under his charismatic leadership, the IBRD gained its AAA financial rating and it began its transition towards becoming an administratively sound, well recognised, and effective development bank (Mason and Asher, 1973, 62).

A “charming autocrat”, the greatest strength of Black – as compared to his technocratic predecessors and the “bludgeoning approach” of his successor George David Woods – was his ability to be likeable (Kapur, Lewis and Webb, 1997b, 11). Using his cultivated charisma as a Southern Gentleman from Atlanta, Georgia, and not stricken by the issues impeding Meyer (plagued by leadership squabbles) or McCloy (who regarded the IBRD as temporary), Black imprinted his personality upon the Group, which became affectionately known by staffers as “Black’s Bank” (Kraske, 1996, 92-93).

Black saw the potential of the IBRD as a development bank. This was clear during his 1950 Annual Meeting Address, in which he argued that the issues of development, poverty, and ill health were ‘perhaps the most powerful single force shaping the course of history in our time’ (IBRD, 1950b, 9). The modernisation framework and Western approaches became the vehicles for “improving” developing countries. As Black argued in 1956, development ‘destroys old attitudes towards life and work, even as it creates materials for a better life’ (IBRD, 1956a, 9) – the old had to make way for the new.
Financial Assistance

Black preferred utility to amount when it came to lending operations. It was less important how much money was committed, provided it was effective (Black, 1952, 407; Kraske, 1996, 102). Nevertheless, annual IBRD lending increased steadily, from US$166 million committed through twelve loans in fiscal 1950 to US$882 million through twenty-eight loans in fiscal 1962. The IBRD targeted agriculture, education, industry, and infrastructure, regarding growth as synonymous with development (Waterston, 1986, 6; de Vries, 1986, 3). These were “safe” investments with measurable results and little risk of political fallout (Gordon, 1969, 232; Mason and Asher, 1973, 459).

Yet, contextualised as part of the early Cold War era, antagonisms between the capitalist and communist blocs extended into Group rhetoric. In a 1952 article, Black did not mask his prejudices when arguing that global stability depends on what advances can be achieved in other areas which are still free from Soviet Communist domination but are not yet the full beneficiaries of twentieth century progress. The free world will not remain free if the hunger of millions of human beings for progress is neglected. Instead, it will go on being vulnerable to encroachments from without and to disputes within ... The [IBRD] has been at work throughout the free world making loans to increase production and raise living standards (Black, 1952, 402).

Upon the outbreak of the Korean War in June 1950, several factors began to influence the Group’s development assistance: rapid income growth, rising commodity prices, mounting trade liberalisation, the popularity of import-substitution industrialisation, and colonial independence. In response, its priorities included state planning and intervention, balanced growth, project lending analysis, infrastructure investment, industrialisation, economy-wide policy frameworks, and a geographical focus shift from Latin America in the 1950s to India and Pakistan in the 1960s (Stern and Ferreira, 1997, 528). “Black’s Bank” had become quite unlike that of the Meyer and McCloy years.

By the time Woods succeeded Black in 1963, the IBRD had committed some US$6.9 billion via 349 loans since commencing lending operations (IBRD, 1963a, 13). This growth resulted from the fact that ‘Black felt strongly that
member governments should regard the World Bank as the only bank to which they would turn to for advice on development programming and long-term loans for “sound” projects’ (Mason and Asher, 1973, 499). The IBRD was declaring itself the answer to the development puzzle, with development lending – and no longer investment – being its raison d’être.

The Creation of the World Bank Group

Alongside the turn from investment to development lending, the Group itself steadily emerged through the formal establishment of the IFC and the IDA.

On 20 July 1956, the IFC Charter came into force. With a membership of thirty-one countries and authorised capital of US$100 million, the affiliate began to operate alongside the IBRD, with which it shared its Secretary, its Treasurer, and its Directors of Administration and Information. With a focus on the growth of private enterprise, the IFC commenced operations under Executive Vice President Robert Garner who led the affiliate until 1961 and who was originally responsible for proposing its creation (Garner, 1961, 49). Its establishment was formalised through deliberations between the IBRD Board of Governors and the United Nations Economic and Social Council.

The IFC began quite inauspiciously. By 1963, it had only committed a total of US$90.6 million and its overall contribution to Group technical assistance was minimal (IFC, 1963, 12). Ladislaus von Hoffman, who worked for the IFC from 1960 to 1977, recalled that it began as ‘a very small organisation. There were only 15 to 20 people. [The] IFC worked like a Swiss watchmaker spending a tremendous amount of time on extremely complicated operations ... Garner’s concept of [it] was a really small, profit oriented, investment bank-type of operation’ (1988, 2). It would not be until the late 1960s that it and its technical assistance portfolio slowly came into its own.

On 24 September 1960, the IDA officially began operations. This took place twelve months after the IBRD Board of Governors decided to establish an IDA-like body as an affiliate. During the Black presidency, it operated quite conservatively – four credits to four countries totalling US$101 million in 1961, eighteen to eight totalling US$134 million in 1962, and seventeen to
nine totalling US$260 million in 1963 (IDA, 1961, 6; IDA, 1962, 5; IDA, 1963, 7). Similar to the IFC, its provision of technical assistance was small. Following the establishment of the IFC, the launch of the “soft loan” affiliate completed the core triumvirate of the Group. While the IFC aided private enterprises, the IDA offered interest-free credits to its least-developed member countries, its finance being more accessible than that of the IBRD.

Technical Assistance

Technical assistance was an ‘inexpensive seeding operation’, producing ‘a large impact for a relatively small cost’ by ensuring the technical quality of lending operations (Wharton, 1958, 126). While this may have been the case, there were also shortcomings. Technical assistance suffered from a lack of long-term commitment, inflexibility, and overlap between agencies. More importantly however, the scope of technical assistance and the nature of the problems it addressed resulted in an inherent weakness: it tackled temporary concerns, and not systemic problems (Wharton, 1958, 123-126).

The Black presidency saw the steady expansion of hard technical assistance. The IBRD was its main provider, delivering pre-investment studies, general and sector survey missions, and projects financed by the UNSF. In addition, the EDI began its training courses from 1955 onwards. Yet, as noted above, the technical assistance contributions of the IDA and the IFC were minimal.

In 1952, Black, Vice President Robert Garner, and William Iliff (Assistant to the President and Director of the Loan Department) reorganised the IBRD into four units, one of which was the Technical Operations Department. At the same time, the Economics Staff (under Leonard Rist) and the Technical Assistance and Liaison Staff (under Richard Demuth) were also established.

The first major organisational overhaul of the IBRD occurred because ‘the old organisation began to crack at the seams’ (Stevenson, 1961). This led its previously ostracised economists to acquire greater responsibility, which increased the role of technical assistance. Michael Lejeune, a World Bank staffer from 1946 to 1983, recalled that the reorganisation granted the new Technical Operations Department particular importance in loan applications,
cost-benefit analyses, feasibility studies, and performance monitoring (1985, 2). These were all inherent to the nature of hard technical assistance during this time. Similarly, Richard Demuth, who was the Director of the Technical Assistance and Liaison Staff from 1952 to 1961, commented that we started in this technical assistance field as the result of a realisation that although we were being very careful to see that our money was used effectively for priority projects, all the care that we were using in connection with our own money wasn’t going to have very much effect on the development of the country if they were using the resources released by our loan and all the other resources for silly projects, wasting the money. Basically we weren’t a bank just in terms of wanting to lend money and get repaid with interest, but we were interested in the effects of our operations on the development of the country ... In part this was also due to the fact that in order to determine the priorities of projects presented for Bank financing, we had to look at the whole program of a country to determine whether a power project or another project had priority ... And we realised that very few ... countries had effective programs (Demuth, 1961, 54-55).

Hard technical assistance was steadily expanding, with senior management acknowledging its importance to ensuring the quality of lending operations. At the same time, the suggestion began to emerge that technical assistance could play a role in determining the development priorities of its developing member countries, thereby assuring those countries of particular “truths”.

The 1957 *Policies and Operations Handbook* detailed the main purposes of technical assistance. Starting from the position that technical assistance was only to be used to assist loan implementation, the handbook included the purposes of helping governments define their development priorities, amending the technical plans and administrative structures of a project, and other related pre-project support (World Bank, 1957, 17). The 1960 and the 1963 *Policies and Operations Handbooks* reiterated the same main purposes verbatim (World Bank, 1960, 8-9; World Bank, 1963, 7). Reflecting the Cold War modernisation framework, Samuel Paul noted in a 1983 Staff Working Paper that in ‘the heyday of technical assistance during the 1950s, there was a widely held belief that the performance of poor countries could be significantly improved by helping their citizens absorb the technologies and
skills developed in the West’ (Paul, 1983, 13). Several IBRD loans provided to Japan during the latter half of the Black presidency epitomised this view. These loans were designed to “expand and modernise” the Japanese iron and steel industries through assistance to the Kawasaki Steel Corporation. Technical assistance components embedded in these loans included surveys and feasibility studies of the market prospects of the Japanese steel industry and consultant recruitment from an American firm (the Republic Steel Corporation located in Cleveland, Ohio) for advice on industrial plant operations and for staff training (Japan, 1956; Japan, 1958; Japan, 1960). Development thus entailed adopting “modern” Western practices and skills.

General and Sector Survey Missions

General and sector survey missions investigated the problems and potential (or what the Group deemed to be shortcomings) of the surveyed member country. The national government of that country received a detailed report compiling the data collected. Survey missions arose from the opinion that loans could only be effective alongside national development plans, serving as a means to ensure loan efficacy (Blough, 1968, 176-177; Kraske, 1996, 89). The importance of survey missions was twofold. First, during the 1950s and early 1960s, survey missions were the most visible form of technical assistance, followed by the courses of the EDI. Second, survey missions led the Group to acquire a vast reservoir of data on national development. As Frederick Moore noted in 1960, the ‘reports of these missions comprise the largest single collection of information extant on the problems and characteristics of underdeveloped economies’ (Moore, 1960, 81). This vast reservoir of data contributed to the later transformation of the Group from a multilateral development bank into an international development institution.

On 20 June 1949, twenty-nine days after Black took office, it was revealed that Colombia was to receive the IBRD’s first general survey mission, called a “comprehensive economic survey mission”. While loan implementation missions were already a regular service, general survey missions were more exhaustive in examining the problems and potential of entire economies, remaining a staple of technical assistance throughout the 1950s and 1960s.
Lauchlan Currie, a distinguished economist and Administrative Assistant to American Presidents Roosevelt and Truman, headed the Colombian mission. He led a team of fourteen experts in the fields of agriculture, transportation, industry, and power from the IBRD, the IMF, the World Health Organisation, and the United Nations Food and Agriculture Organisation. As a precursor to the Rostowian orthodoxy, the Colombian mission stressed the importance of an improved national infrastructure to enhance its growth potential (IBRD, 1950a). This type of technical assistance was not only laying the framework for later lending operations, but was also making normative judgments on the development priorities of Colombia, using data and statistics to convince the national government of the validity of its deductions (Hayter, 1971, 64).

With the apparent success of the well-received Colombian mission, twenty-two other countries also received general survey missions during the Black era. Notarised under "Services to Member Countries" in the administrative budget, their cost rose from US$131,449 in 1956 to US$481,866 in 1962, becoming a cornerstone of the IBRD (IBRD, 1957, 56; IBRD, 1962, 49-50).

Very different from what would become the norm during the neoliberal era, the composition of the survey teams illustrated the biases of the Group. The survey missions commissioned during the Black presidency included experts in agriculture, communications, industry, mineral resources, power, public health, social services, and transportation. Yet, of the dozen experts sent with each mission, there was usually only one economist focused on finance (IBRD, 1952b; IBRD, 1952c; IBRD, 1953a; IBRD, 1953c). Financial frameworks were deemed to be of little consequence to growth industries.

Frederick Moore, commenting on the impact of IBRD survey missions as an extension of its meta-paradigm legitimising particular “truths”, argued that

The missions themselves are nominally independent of the Bank. The Bank, however, reviews the reports prior to publication and presumably uses them in the course of developing its loan policies. In turn, the missions reflect some of the attitudes of the Bank, if for no other reason than that employees of the Bank are frequently included on the mission staffs. The reports of the missions cannot be fully understood without some brief allusion to some important issues on which the Bank has taken a strong
position ... [The] allocation of loans by the Bank reveals a preference for specific kinds of projects, to a degree that indicates definite ideas as to how economic development "ought" to proceed ... [agriculture, industry, mining, power] ... The Bank obviously believes that investments in these sectors should have precedence ... It is clear from this that the Bank regards these kinds of investment as the key to economic development (Moore, 1960, 82).

By building infrastructural and industrial capacity, or so the general survey missions of the IBRD assured, development (read: growth) was guaranteed.

The acclaimed (yet highly controversial) Indus Water Discussions were an exceptional example of a long-term IBRD survey mission and the turn of the IBRD from investment to development banking during the Black presidency. The discussions, which led to the 1960 Indus Water Treaty, began in 1952 at the invitation of Black to the member countries of India and Pakistan. Inspired by a 1951 Colliers article by David Lilienthal, the IBRD proposed a comprehensive engineering plan to increase the irrigation use of the Indus River System, while avoiding issues of historic rights given that the river system had been a point of conflict between India and Pakistan since their independence and partition (World Affairs, 1960; Sahni, 2006). Somewhat of an irregularity at the time, as the IBRD had yet to deliver a comparable investigation (particularly one of such a sensitive nature), the discussions were not see as a precursor to future lending operations. They were an exercise of its growing specialisation in the field of development assistance.

The Economic Development Institute

One of the most important conceptual expansions of technical assistance during the Black era was the establishment of the EDI. This was especially so in terms of projecting and legitimising particular “truths” by emphasising the importance of particular practical methods through training. With a staff college formed in Washington, D.C., and financial support from the Ford and Rockefeller Foundations, the EDI was created in 1955 with the ‘objective of contributing to an improvement in the quality of economic management in government and helping officials from less-developed countries to equip themselves for dealing with the practical problems of development’ (IBRD,
It officially opened its doors in January 1956 under Director Alexander Cairncross. Its first six-month course began in that same month.

The EDI did not simply enhance the Group’s ‘ability to provide training for officials from developing countries ..., [but it] also provided the Bank with a window on the academic work being done in development economics’ (Galambos and Milobsky, 1995, 170-171). This was important for it allowed the Group to explore the field of economic research, allowing it to interact with academia and other institutions in the study of economic development (Diamond and Hoffman, 1961). The EDI thus created a bridge, affording the Group the option to contribute intellectually to the development discourse.

From the start, the EDI tackled economic growth problems and techniques, provided information on financial administration, attempted to strengthen government intervention in development planning, assisted country officials gain practical experience, and offered information on the management of economic affairs (IBRD, 1956c, 24; World Bank, 1957, 88; IBRD, 1963a, 9). By the time Woods succeeded Black, the EDI had gained special mention as the Group’s “chief instrument” in the delivery of development planning skills and economic management techniques (IBRD, 1963a, 9). Importantly, it had a ‘broader curriculum than the Bank’s own lending had yet attained’ (Kapur, Lewis and Webb, 1997a, 12), meaning that it was able to influence the Group’s general conceptualisation of development beyond investment.

The EDI was able to convey knowledge, skills, and practices to officials who would return to their home governments and arguably implement what they learnt. Such behaviour, as outlined in Chapter One – The Technical Side of Development Truths, exemplifies a form of power whereby exercising actors are able to either persuade or define structures in such a way as to make particular understandings appear as common sense. Former EDI Director Michael Hoffman offered a similar view (Diamond and Hoffman, 1961, 29):

I wouldn’t jump to any conclusions about that in general, but it certainly indicates that the management of the Bank feels that it’s part of the Bank’s function to do as much as it can to help member governments train the kind of people they need in managing the kinds of affairs the Bank is concerned about. In short, the management feels very strongly the importance of
trying to educate, train, if you like – this is the more proper term in this connection – people who will have responsible positions in public service.

Building upon this, Alexander Stevenson, who served the EDI from 1974 to 1982, recalled that during these years the EDI was mainly concerned with “practical” problems: ‘people did think of [engineers and road, dams, and power plants] as a major aspect of development. Take the first EDI courses: what everyone wanted to see on a field trip would be the Tennessee Valley Authority. People did think of development in terms of civil engineering’ (1985, 7). As the main “knowledge arm” of the Group, the EDI played a notable role in constructing, projecting, and legitimising its meta-paradigm, which was then premised on state-led infrastructural and industrial growth.

The United Nations Special Fund

Following its 1952 reorganisation, the IBRD set up the Technical Assistance and Liaison Staff. Under Director Richard Demuth, it coordinated technical assistance activities between the IBRD and the IDA, as well as between the Group and other development agencies. An independent specialised agency of the United Nations since 1947, the IBRD began to operate as executing agency for stand-alone technical assistance projects financed by the UNSF. The Group was becoming recognised as a leader in the field of development.

Between 1959 and 1961, the World Bank executed several technical assistance projects financed by the UNSF, all of which were hardware-oriented (IBRD, 1959, 16-17; IBRD, 1960b, 114-116; IBRD, 1961, 14-15):

- Argentina, electric power development and transportation surveys;
- British Guiana, improvements to Georgetown Harbour access study;
- Guatemala, a survey of rural power and irrigation possibilities;
- Nigeria, a study into the merits of constructing a dam for electric power generation, navigation, flood control, and rural irrigation;
- Peru, a series of natural resource, power, and highway surveys;
- Surinam, a minerals survey; and,
- Thailand, a study of the silting problem in the Port of Bangkok.
While many within the Group and UNSF predicted the possibility of friction, the contrary arose. Both agencies acted in a cooperative, complementary manner in delivering these projects (Demuth, 1961, 22; Knapp, 1961, 37).

Interestingly, the UNSF was more heavily involved with technical assistance than the Group during the 1950s, its portfolio including project and program surveys, training (project-related and academic), and research (Mathiasen, 1968, 214). By the close of the Black presidency, the UNSF was delivering technical assistance in the fields of industry, transportation, communication, economic planning, public administration, statistics, fiscal and financial matters, trade promotion and marketing, social services, natural resources, human rights, narcotics, and meteorology (United Nations, 1961, 202). The UNSF was engaging with much broader development issues than the Group.

The Presidency of George David Woods

On 01 January 1963, George David Woods succeeded Black as president, inaugurating an era marked by the gradual growth of the Group from a multilateral development bank into an international development institution, a turn secured by his successor Robert McNamara. While in office for only a single five-year term, Woods contributed much to expanding the conceptual parameters of Group development assistance, expanding the volume and scope of its financial and technical assistance. As Woods commented at the 1964 United Nations Conference on Trade and Development, ‘If the Bank is to go on being a dynamic agent of economic progress, it must adapt itself to the changing development environment and respond to the changing needs of its membership. The Bank, no less than its members, must continue to grow’ (cited in Selassie, 1984, 42). Development had replaced investment.

A time of great social change in developed countries and upheaval in many of the developing following the dismantlement of lingering colonial ties, the 1960s became the first “United Nations Development Decade”. This decade saw the redrafting of the development discourse and the role of the Group.

Two characteristics distinguished this Development Decade. First, a growing interdependence marked global economic and institutional relationships. Not
only were the countries of the world increasing their transactions with non-state actors, but the latter were also deepening their relationships with one another. Second, stubborn economic growth plagued many developing regions, triggered by foreign debt servicing issues, rapid population growth, a paucity of private investment, and sluggish production levels. A trade liberalisation drive led by the Kennedy Round of the General Agreement on Tariffs and Trade negotiations occurred at the same time, which ‘began with an across the board tariff cut of 50 percent followed by negotiations to adjust tariff levels’ (Maswood, 2000, 34). This was a significant moment for the Bretton Woods core project, as free market advocates rose in voice to challenge the efficacy of state intervention in the development process. As noted in Chapter Two – Origins and History, this was the decade when the forces of neoclassicism and monetarism were eroding the Keynesian norms of the Bretton Woods core project (Best, 2004, 401). These developments, coupled with an expanding country membership of seventeen new members in Woods’ first year alone, further facilitated the Group’s newly broadened approach to and understanding of development assistance, which continued to advocate an interventionist state as vital to achieving economic growth.

George David Woods: Development Redefined

Nominated by American President John F. Kennedy in 1962, Woods came from a career as a skilful and respected New York investment banker and Chairman of the First Boston Corporation, specialising in corporate finance, financial planning, and debt and equity instruments. While coming from a background similar to Black, Woods faced an entirely different intellectual and geopolitical climate and had a starkly different personality, affecting his ability to lead. Black was the charming “Southern Gentleman”, while Woods was constantly aggressive, argumentative, and confrontational; he was ‘unpolished, criticised staff harshly and publicly, and argued with, rather than pacified, his Executive Board’ (Kapur, Lewis and Webb, 1997b, 385).

Strong opinions of Woods emerge from interviews with staffers who worked for the Group during the 1960s. As two examples, William Bennett recalled that ‘he did not know how to be a nice guy’ (Bennett, 1988, 16) and Julian Grenfell described him as ‘brusque. He didn’t speak with a very happy turn
of phrase. He could turn people off with his bluntness ... He was not very diplomatic’ (Grenfell, 1986, 1). This led to practical ramifications, notably in gaining acceptance from the Boards of Governors and Executive Directors.

Despite his character flaws, the intellectual climate of the Woods presidency was far more conducive to change than that of the Black era. In particular, Woods was able to direct greater attention towards agricultural production because the development discourse was more receptive to new ideas. He also added to the Group by establishing the ICSID in October 1966, which remained largely inoperative during his tenure, not convening any dispute resolution cases nor publishing research nor providing technical assistance.

Woods oversaw several notable changes to the Group. Comparable to the imprint left by Black, he set about innovatively reshaping the Bretton Woods institution along lines he saw as the ideal development model, a mark clearly emerging from his experience with debt and equity on Wall Street. Woods determined that the Group’s developing members were suffering from three main economic problems (IBRD, 1963d, 9; Kraske, 1996, 134):

- A commodity problem, or poor export performance;
- A debt problem, or heavy debt burdens; and,
- A policy problem, or a lack of capacity to formulate effective policies.

Woods reconfigured the Group’s approach to development, casting aside its investment bank mindset. Supported by Irving Friedman, who served as Economic Advisor to the President, Woods broadened the Group’s mandate, improved dialogue with its member countries, deemed country performance the most important criteria for lending, and relied heavily upon economists (some 200 economics PhDs were recruited into the Economics Department) (World Bank, 2010c, 5). The expansion in economic staff was important to the later rise of software, as soft technical assistance required economists for institution and human resource development. Former IMF Director of the Exchange Restrictions Department, Friedman’s appointment reflected the new influence of economists in this development bank. As Group economist William Gilmartin recalled, when ‘Woods became President, it was his idea that the Bank should be a leader in development in a broader sense, that is,
in the sense of analysing critical development problems and policies in the particular countries and giving Bank assistance in the context of these problems’ (1985, 8). The Group had evolved markedly from “Black’s Bank”.

The 1960s was not a favourable period for much of the developing world. Many countries faced shortages of external finance, lagging food production, sluggish agricultural output, slow growth in export earnings, rising levels of debt service payments, political instability, and balance-of-payments crises catalysed in large part because of the economic deterioration of the United States and the United Kingdom (IBRD/IDA, 1966, 28; IBRD/IDA, 1967, 24 and 31; IBRD/IDA, 1968, 31). Consequently, Woods set about broadening the operations of the IDA, for he felt that the IBRD was not ideally suited to assisting its poorest member countries (Friedman, 1985, 15). For the Group to combat the adverse conditions of the 1960s, the IDA needed to expand.

The financial volume of Group lending operations rose substantially, nearly doubling in five years. In 1963, the IBRD, the IDA, and the IFC committed US$717 million through forty-eight projects. In 1967, this amount had risen to US$1.3 billion disbursed via eighty loans, credits, and grants. The World Bank focused on agriculture, education, infrastructure, transportation, telecommunications, and water supply, while the IFC invested in textiles, manufacturing, tourism, and development finance companies (IBRD, 1963a, 11; IDA, 1963, 7; IFC, 1963, 9; IBRD/IDA, 1967, 8; IFC, 1967, 9). Andrew Karmarck, who was Director of the IBRD Economics Department from 1965 to 1971, recalled that the ‘idea of thinking in terms of billions of dollars a year came from [Woods], and when it first came forth, it was regarded with horror’ (1985b, 7). Latin America became the main recipient of IBRD loans and East Asia received the bulk of IDA credits (United Nations, 1963, 227).

Following a focus on export, debt, and policy problems, the Group began to emphasise the impact of world economic fluctuations, turned its attention to agricultural production, entered the fields of primary and secondary education, increased technical assistance for project formulation, and expanded its lending operations. This all contributed to its shift from development bank to development institution and the later rise of software.
Technical Assistance

Compared to the 1970s, technical assistance at this stage remained narrow in its design and purpose, with a continued emphasis on hardware. As detailed in the *World Bank, IDA, and IFC Policies and Operations Handbook* (1968), technical assistance was delivered as lending operation components (as feasibility and pre-investment studies, project priority identification and preparation surveys, and consultants), the six-month courses of the EDI, and general and sector survey missions (World Bank, 1968). Similarly, the *World Bank and IDA Annual Report 1968* concluded that the ‘main emphasis of [its] technical assistance activities remains on assisting governments in the identification and preparation of projects’ (IBRD/IDA, 1968, 16). In that same year, Roy Blough described World Bank technical assistance as ‘focused primarily on what recipient countries need in order to apply for and effectively use loans and credits from the Bank and what the Bank needs in order to make its loans and credits intelligently’ (1968, 176). While narrow in design and purpose, technical assistance remained central to the Group.

Technical assistance was regarded along similar lines outside of the Group. The 1962 *Twelfth International Congress of the International Institute of Administrative Sciences* defined technical assistance as the ‘transmission of learning, knowledge, and techniques or materials and human resources in order to help those who receive it to solve specific problems in a more suitable manner in keeping with their needs’ (Mathiasen, 1968, 205). Within the mainstream discourse, technical assistance became a problem-solving tool targeting specific issues. While argued to serve the needs of recipients, it determined the suitably of the ideas needed to solve perceived problems, thus suggesting the legitimacy (or illegitimacy) of particular understandings.

Group technical assistance underwent two significant changes under Woods. First, critics challenged development practices and the constraints posed by a lack of domestic skill and education in many developing countries. Human development thus became important. Second, the Group began prescribing institution building. Combined, these changes led to the gradual emergence of software, but under the precondition that the “modern ideas” stemming from the Group and other agencies were to be institutionalised in recipients.
to ensure normative change (Mathiasen, 1968; Hayter, 1971). It was not enough to provide modern ideas; “traditional ideas” had to be swept aside.

The IFC was notably active in the turn towards software. An outgrowth of its mandate to support private enterprises, its technical assistance portfolio grew to include the drafting of statutes and policy statements, staff training and the recruitment of experienced management, procedural development for project analysis, the establishment of development finance companies, institution creation, building, and reorganisation, and capital market surveys (IFC, 1966, 11-12). The IFC was providing technical advice on how best to organise the private sector. This led to an expansion of its responsibilities in aiding its eighty-six member countries and in supplementing the activities of the IBRD and the IDA, although there were examples (notably including Finland, Malaya, Nigeria, Spain, Thailand, Turkey, and Venezuela) where it operated independently of the World Bank (IFC, 1963, 4-5; IFC, 1965, 5-6).

The EDI did not change significantly during this period. While maintaining its curriculum on industrial growth (it began an Industrial Project Evaluation Course in March 1964, which expanded in March 1965 to tutor participants on modern practices used by engineers, economists, and accountants), the EDI grew to include a French language course, a Spanish language project evaluation course, and agricultural development courses. By July 1968, 855 officials from 103 countries had attended its courses (IBRD/IDA, 1968, 17), which continued to underline the assumed importance of state intervention.

General and sector survey missions remained the norm, their purpose being to analyse development problems and potential as a precursor to future lending operations. While the survey missions were similar to those of the Black presidency, the main issues addressed during the Woods era reflected changed normative judgments about development priorities. Kenya, Kuwait, Morocco, Spain, and the Territory of Papua and New Guinea received survey missions, all of which argued the importance of agriculture, education, and market forces (IBRD, 1963b; IBRD, 1963c; IBRD, 1965a; IBRD 1965b), a change from the communications, industry, and transportation focuses of the Black presidency. In addition, the IFC also began to provide its own
missions, with a few examples being an Iranian chemical industry survey and a Venezuelan meat packing industry feasibility study (IFC, 1962, 5-6).

Similar to the above, UNSF-financed technical assistance projects executed by the World Bank maintained the earlier trends of the Black presidency. The relationship between the Group and the United Nations was arguably stronger under Woods than under any earlier president (Broches, 1985, 1). Continuing to coordinate its relationship through the Development Services Department, which was formerly the Technical Assistance and Liaison Staff, the only notable change came in January 1966. At this time, the UNSF was melded with the United Nations Expanded Program of Technical Assistance following a resolution adopted by the General Assembly on 22 November 1965 and was renamed the UNDP, becoming its technical assistance “arm”.

Between 1963 and 1968, the World Bank executed dozens of UNSF-/UNDP-financed projects. These projects included project and sector studies, consultant recruitment, and related supervisory work (IBRD/IDA, 1968, 16). Sub-Saharan Africa and Latin America received a majority of these projects, which largely addressed the maintenance and administration of highways and railways. These projects reinforced the modernisation assumption that economic development required stable infrastructure for growth industries.

**The Presidency of Robert Strange McNamara**

‘I have always regarded the World Bank as something more than a Bank, as a Development Agency’, Robert McNamara, Group President (IBRD, 1968).

Of all the years discussed in this chapter, the opening five of the presidency of Robert McNamara contributed the most to the evolution of the Group into a development institution capable of influencing theory and practice. McCloy and Black oversaw the Group as an investment bank. Woods turned it into a development bank. McNamara, on the other hand, led its excursion into the domain of knowledge leadership. Although the 1973 Nairobi Speech would mark its greatest turn prior to the initiation of adjustment lending, the years between 1968 and 1973 were nothing less than revolutionary for the Group.
Compared to the cautious conservatism of the 1950s and 1960s, McNamara pursued a far more socially oriented development agenda and expanded its financial assistance to an amount that was ‘disconcertingly novel and risky’ (Goldman, 2005, 68). The greater utilisation of technical assistance followed the growth of the Group’s mission. As an official World Bank document held in 1972, ‘Bank lending ... covers, on average, less than 2 percent of the total capital expenditures of the member countries ... Its significance lies rather in the possible impact of the Bank as a source of ideas and technical assistance’ (cited in Kapur, Lewis and Webb, 1997b, 271). As early as the 1970s, the Group was aware of the role it could play as a knowledge bank, which could be used to construct, project, and legitimise particular “truths”.

Robert Strange McNamara: The “Champion of the Developing World”

‘The parable of the talents is a parable about power – about financial power – and it illuminates the great truth that all power is given us to be used, not to wrapped in a napkin against risk’, Robert McNamara (IBRD, 1968, 10).

McNamara came from the most unique and controversial background of the first five Group Presidents. He arrived at the Group after seven years as the American Secretary of Defence, serving under the Kennedy and Johnson administrations, and he was intimately involved in the 1962 Cuban Missile Crisis and the Vietnam War, the stigma of which trailed him until his death in 2009. His history with the American Congress and Democratic Party aided his effectiveness as Group President, as he was able to sway congressional support (Stern, 1994, 32-33). Prior to public service, he was an innovative CEO of the Ford Motor Company. McNamara brought a unique perspective to his leadership, a perspective absent of practical development experience.

Long regarded as the “Whiz Kid”, both for his intelligence and his prodigious work ethic, McNamara had a reputation as “a problem-solver and a trouble-shooter”, and he approached challenges systematically and quantitatively (Economic and Political Weekly, 1968, 1202). Munir P. Benjenk, who worked for the World Bank from 1963 to 1984, recalled that ‘Mr. McNamara was much more systematic than Mr. Woods. [He] created a system, and the system made it almost inevitable that Mr. McNamara, who had a
tremendous capacity for work and for reading, would know all the important things that were going on at every level’ (1985, 20). Building upon this foundation, McNamara became the Group’s then most influential president.

McNamara announced a substantial reorganisation on 10 August 1972. The largest since 1952, it reconfigured the World Bank along the corporate lines of the Ford Motor Company, decentralising its operations and establishing several new vice presidencies. A notable new post was the Vice Presidency for Development Policy, under which all research was coordinated. This was preceded in 1971 by the creation of the World Bank’s first formal research program, designed to support lending operations and broaden its conceptual understandings of development (World Bank, 2010c, 5). This contributed to its slow transition from a development bank into a development institution.

In line with this new research drive, McNamara proposed the formation of a consultative group on agricultural research on 31 March 1970. From this emerged the Consultative Group for International Agricultural Research (the CGIAR), which was sponsored by the World Bank, the UNDP, the Food and Agriculture Organisation, the Ford, Rockefeller, and Kellogg Foundations, sixteen national governments, six international and regional development agencies, and the International Development Research Centre. Holding its inaugural meeting on 19 May 1971, the CGIAR remains operational today, producing research on agricultural development. The point being, just like the earlier Indus Water Treaty negotiations between India and Pakistan, the Group was recognised as a leader in the creation of development initiatives.

McNamara rapidly (and controversially) increased the financial volume of Group lending operations. In his 1968 Annual Meeting Address to the Board of Governors, he stated that it was his aim to double financial commitments during his first five years, targeting growth sectors previously ignored (IBRD, 1968, 10-13). While Woods committed a total of US$6.6 billion via 416 World Bank and IFC projects, McNamara committed US$13.5 billion via 820 projects between 1968 and 1973 (IFC, 1973, 6; World Bank, 1973a, 3).

Distancing himself from the conservatism of earlier presidents, McNamara turned attention towards agriculture, education, illiteracy, malnutrition and
nutrition, population planning, tourism, and urbanisation. With this shift, the Group became more than just concerned with infrastructure and industry. It had entered the business of country building with a social conscience. Economic growth was now only part of the puzzle. To secure basic human needs and living standards, societies had to be “improved” more generally. Software became an important tool assisting these once ignored sectors, for their “improvement” required institution and human resource development.

The Pearson Commission Report

In the transition from a multilateral development bank into an international development institution, McNamara inherited the legacy of Woods. This was epitomised by McNamara’s realisation of Woods’ proposed “Grand Assize”.

To combat the many challenges facing the first United Nations Development Decade, Woods unveiled his proposed Grand Assize to the Swedish Banker’s Association in October 1967. It was envisioned as a collaborative attempt to draw together leading experts in the field of development to analyse the consequences of twenty years of development assistance, identifying errors and charting future possibilities (Grenfell, 1986, 6; Kraske, 1996, 155-156).

McNamara realised Woods’ vision, inviting former Canadian Prime Minister and Nobel Peace Prize laureate Lester B. Pearson to lead it. Upon accepting McNamara’s invitation in August 1968, Pearson eloquently stated that ‘I do not think it is possible to exaggerate the importance of this problem; of the danger to peace and stability of the world becoming increasingly divided into rich and poor, developed and underdeveloped nations’ (World Bank, 2008m). Development was coming to mean the “improvement” of societies, and no longer merely the simple growth of basic infrastructure and industry.

The Pearson Commission published *Partners in Development*. Released on 15 September 1969, the so-called “Pearson Commission Report” ‘contained more than ninety recommendations for strengthening and rationalising the international development effort’ (Mason and Asher, 1973, 84). It was the first major initiative to evaluate the multitude of facets interacting within the development discourse holistically, from theory to practice. The report
called for increased cooperation, greater attention to rising debt burdens, the removal of trade barriers, the importance of technical assistance, and recommended an expansion of the IDA (IBRD/IDA, 1970, 43; World Bank, 1971, 51). As McNamara declared, the ‘Pearson Commission will be turning our eyes to the long future, marking out guidelines not just for a decade but for a whole generation of development that will carry us to the end of this century’ (IBRD, 1968, 10). Ernest Stern, who served as Deputy to the Executive Secretary of the Pearson Commission, argued that ‘I think the recommendations which were made hit a very responsive chord ... Where there was acceptance of them, they bore directly on [Group] operations’ (1983, 2). To illustrate, the IBRD announced its first research loan in May 1971, a US$12.7 million Spanish loan to establish six national agricultural centres. The report proposed such a venture (World Bank, 2008l). Although nominally independent, the recommendations of the Pearson Commission influenced the Group, contributing to its turn into a development institution.

**Technical Assistance**

Technical assistance evolved considerably under McNamara, a result of the Group’s skyrocketing financial commitments, growing country membership, formal research program, and changing conceptualisation of development. While hardware remained dominant, soft technical assistance entered the equation. As recorded in the *IBRD/IDA Annual Report 1970*, ‘the technical assistance and advice which the Bank Group provides to member countries contribute to the adoption of national economic policies and the building of local institutions conducive to industrialisation along sound lines’ (IBRD/IDA, 1970, 22). While the importance of infrastructure and industry remained, there was a newfound appreciation of the framing of economic policies and of institution building. Technical assistance resultantly became a means to guide countries in their adoption of the “correct” policies for development.

In 1970, the Group subjected its technical assistance portfolio to an intense internal review, from which two guiding principles emerged. First, the provision of technical assistance should be in accordance with the priorities of the recipient member country, and, second, the UNDP (and its Resident Representative) should maintain a coordinating role (IBRD/IDA, 1970, 2).
The first internal review of technical assistance, it did little to substantively change its provision. It did however illustrate the recognition by the Group that technical assistance was important enough to warrant such attention.

The largest percentage of technical assistance provided by the World Bank during these five years emerged as loan and credit components, specifically as feasibility studies, consultant and expatriate advisor fees, and overseas training and fellowships. Lending operation components rose from US$39.5 million in 1969 to US$87.4 million in 1973, the majority of which financed consultants and expatriate advisors, although the cost of feasibility studies steadily rose (IBRD/IDA, 1973, 63). Components would increase tenfold by the early 1980s, totalling US$979 million in 1981 (World Bank, 1982b, 44).

The EDI kept to the path laid down by the Woods presidency. The staple of its curriculum remained development planning. For example, it released the third printing of the comprehensive 770-page research paper Development Planning: Lessons of Experience in 1969. Albert Waterston, who drafted the paper and who worked for the World Bank from 1947 to 1972, noted in its preface that ‘this is a comparative study of development planning. It attempts to identify when, how, and why planning has been successful …, and to draw relevant lessons or experience there from’ (1969, vii). The research paper revealed the then “common sense” of the mainstream development discourse – the need for state-led national development plans. The EDI had taught such ideas to 750 participants between 1969 and 1973.

The IFC was the main Group affiliate pursuing software during this period, which consequently broadened the scope of it technical assistance portfolio. After the Pearson Commission Report concluded that a more development-oriented IFC would benefit the Group as a whole, McNamara expanded its role. Its mandate of promoting private enterprise was coupled to the larger purpose of improving living standards and encouraging national economic growth (IFC, 1969, 4), which implied the importance of the private sector to national development. The IFC targeted cement, chemicals, food and food processing, manufacturing, mining, motor vehicles, pulp and paper, steel, textiles, tourism, development finance, and capital markets and securities.
The IFC was extensively involved in the provision of technical assistance to support financial markets and structures. In Central and Latin America, it provided financial sector surveys, bond market analyses, and assisted the creation of sound financial institutions. In East Asia, it provided advice on the development of financial sector plans and the training government officials in financial market regulation (IFC, 1973, 9). It was advising its members on how to develop “proper” financial systems. While still minor compared to the World Bank, the IFC was nonetheless demonstrating a strong inclination towards software, a trend that continued throughout the 1970s and 1980s.

McNamara further strengthened the relationship between the Group and the UNDP, building upon the strong rapport developed by Woods. By December 1973, the World Bank had executed 154 UNDP projects, of which sixty-nine had led to US$1.4 billion in World Bank loans and credits (World Bank, 1974b, 68). Interestingly, despite the growth of hardware and software in the Group, the UNDP remained the ‘largest multilateral source of technical and pre-investment assistance in the world’ (United Nations, 1970, 337).

**Technical Assistance Case Studies**

To provide a clear illustration of World Bank technical assistance at the end of the 1960s, the following examples – IDA credits to the Republic of Korea and the Democratic Republic of Congo – reveal details on advisory support for highway infrastructure development and administrative capacity growth. Both typify stand-alone technical assistance projects during the McNamara era, illustrating the dominance of hardware and the steady rise of software.

In July 1968, the IDA approved the *Technical Assistance and Engineering Credit for Highways Project* to South Korea at a cost of US$3.5 million. The credit came at a time when the Korean economy was being reoriented from agricultural to industrial production by the regime of Park Chung-hee. Both the national government and the IDA agreed that improved transportation capacity and road networks were crucial to this reorientation (Korea, 1968).

The project arose from a comprehensive study of the Korean transportation system conducted by the IDA in 1965, which suggested changes to highway
administration, construction, coordination, maintenance, and planning (IDA, 1968). While the Korean government requested feasibility studies of 2,200 kilometres of national highway, the IDA instead determined that only half that length would be suitable given its financial and administrative capacity. Conducted by consultants, six sections comprised the credit (Korea, 1968):

- *Highway Organisation Study*: a twelve-month schedule, this reviewed existing highway administration and formulated recommendations for the reorganisation of the national administration for public roads;
- *Transport Coordination Study*: a twelve-month schedule, this study analysed the existing responsibilities of ministries and agencies linked to transport policy, leading to the formulation of recommendations;
- *Technical Assistance for Implementation Reorganisation*: a twelve-month schedule, this section reorganised the national administration for public roads, its formulation pursuant to the above two studies;
- *Highway Feasibility Study*: a fifteen-month schedule, this section studied 1,160 kilometres of road, pursuant to the above studies;
- *Detailed Engineering*: an eighteen-month schedule, this section realised the engineering recommendations of the above study; and,
- *Training Program*: a three-year schedule, this led to the overseas training of Korean personnel in the national administration of roads.

Similar to the Korean example, the IDA approved the *Highway Technical Assistance and Maintenance Project* to the Democratic Republic of Congo in May 1969 at a cost of US$6 million. A joint project between the IDA and the UNDP, its objective was to provide consulting services to improve highway administration and to carry out highway rehabilitation work (Congo, 1969).

The project originated from the recommendations of a World Bank Economic Mission that visited the country in February and March of 1968. The mission concluded that the Congo had endured serious infrastructural problems and administrative deficiencies since achieving independence in 1960, difficulties which arose from the sudden departure of expatriate advisors. Because of this, regional areas had suffered due to a decline in highway administration. The mission argued that poorly maintained highways weakened the political, economic, and administrative stability of the country (IBRD/IDA, 1969b).
The IDA project thus guided the managerial and operational reform of the national highway administration, it purchased emergency supplies of spare parts, vehicles, materials, and equipment, and it implemented a program of priority maintenance and rehabilitation work. Its objective was to stabilise country administration, to improve the flow of domestic trade, to increase productivity, and to ensure savings in vehicle operating costs (IDA, 1969).

The technical assistance projects provided to South Korea and the Congo illustrate not only the dominance of hardware in Group technical assistance during its first three decades, but also the gradual emergence of software in the late 1960s. This culminated in managerial and operational training that ensured the recipients applied the policies recommended by the Group, which in turn sustained the ideational hegemony of state-led development.

**Conclusion**

To summarise the narrative so far, while technical assistance was slow to evolve, the Group underwent significant institutional change between 1946 and 1973. It grew from a conservative investment bank, to a conceptually broader-minded development bank, to entering the 1970s on the verge of becoming the leading international development institution; ‘the leopard was changing its spots’ (Alacevich, 2008, 228). It was via this evolution that the Group of the 1970s was able to play a leading role in the construction, projection, and legitimisation of particular development “truths”, reinforcing the ideational hegemony of the Bretton Woods and neoliberal core projects.

Hardware was undoubtedly the principal mode of technical assistance during these decades. However, as the Group transitioned from development bank to development institution, software emerged as the Group concluded that ensuring the technical quality of lending operations was no longer enough. It would have to “get its hands dirty” and consciously manipulate institution and human resource development, with the implied legitimacy of technical assistance arguably contributing to the validity of its development “truths”.

*Chapter Four – Poverty and Adjustment* begins where this chapter ends, just before the Nairobi Speech and the transformation of the Group into a
poverty-based development institution. The age of hardware was ending. Software was on the rise. At the same time, the Bretton Woods core project collapsed, soon to be locked in a decade-long battle for survival with what would become the American-led neoliberal agenda of the 1980s and 1990s.
Chapter Four
Poverty and Adjustment
1973 to 1982

In less than a decade, the Group radically transformed its approach to
development assistance. Twice. Opening from September 1973, when the
Group threw its weight behind poverty-based lending following McNamara’s
famous Nairobi Speech, nine years passed before it discarded its poverty-
orientation in favour of structural adjustment lending, a turn catalysed by
the 1979 Oil Shock, the 1982 Debt Crisis, and the triumph of neoliberalism
over Keynesianism. Fully committed to its new persona as a development
institute, the growth of its lending portfolio had the result of increasing
the importance of technical assistance by tackling issues previously beyond
its scope. Now commonly recognised as a leader of the mainstream
discourse, the Group actively shaped understandings of what development
supposedly meant and how it was to be achieved. This chapter ends the
McNamara era (September 1973 to June 1981), before commenting briefly
on the inaugural year of Alden Winship Clausen (July 1981 to August 1982).

For such a brief period, the nine years analysed in this chapter were among
the most turbulent the Group had yet seen. While the Nairobi Speech was a
symbolic highpoint for the Bretton Woods institution and for international
development assistance, the hope it instilled was curtailed three weeks later
in mid October by the outbreak of the 1973 Oil Shock, the OPEC-sanctioned
threefold increase of petroleum prices. Alongside the economic turbulence
already stemming from the collapse of the Bretton Woods monetary regime,
the Oil Shock further destabilised the world economy and intensified global
inflation, stagnating economic growth and worsening investor uncertainty.

This was a time of great insecurity. While the Group turned to basic human
needs, income distribution, unemployment, nutrition, population growth,
and the intertwined challenges of rural and urban poverty alleviation – all of
which bore the hallmarks of the Nairobi Speech, the Bretton Woods core
project and its Keynesian base were losing the battle to neoliberalism. With
the rising unpopularity of state intervention in the development process,
trade liberalisation and market efficiency were increasingly advocated as requisite mechanisms for the allocation of resources in a productive society.

While the Group attempted to balance Keynesianism and this market-based approach during the mid 1970s, the 1979 Oil Shock forced its hand, leading to the adoption of neoliberal SALs prescribing macroeconomic stabilisation and adjustment measures. By the 1982 Debt Crisis, state-led development and poverty-based lending were but a distant memory. This turn was not an easy process, with the McNamara presidency being reluctant to recommend market-based prescriptions. The appointment of Keynesian economists to leadership positions, including Hollis Chenery (Vice President, Development Policy, 1972 to 1982) and Mahbub ul Haq (Director, Policy Planning and Program Review Department, 1972 to 1982), influenced this reluctance. The wholesale neoliberal reformation of the Group occurred after McNamara left, with Clausen (supported by Anne Krueger, who served as the World Bank Chief Economist) erasing all traces of Keynesian economics and economists.

Although McNamara was responsible for introducing structural adjustment lending, this was the exception to his presidency. The years following the Nairobi Speech, which became embroiled in the balance-of-payments crises sparked by the two Oil Shocks, were primarily devoted to rural and urban poverty alleviation. This had a dramatic effect on technical assistance. The War on Poverty required institution and human resource development; pre-investment support alone could not overcome the alleged systemic causes of poverty. With the later turn towards neoliberalism, technical assistance became a means to implement stabilisation and adjustment measures. Software thus became dominant during this era of poverty and adjustment.

The evolution of technical assistance, which paralleled the expansion of the World Bank’s research program, secured the Group’s status as the leading international development institution. While the 1950s and 1960s equated growth to development, the 1970s stressed growth-oriented redistribution and basic human needs. With its emergent social conscience and financial and technical assistance portfolios, the Group became a lodestar for the mainstream discourse. As Michael Goldman argued, ‘In no small part because of the World Bank’s metamorphosis during the 1970s and early
1980s, development power/knowledge writ large became common sense’ (2005, 52). Development became whatever the Group said it was – poverty alleviation during the 1970s and neoliberal adjustment during the 1980s. William Clark shared this opinion, noting that McNamara deliberately sought to position the Group at the epicentre of development “truths” (1981, 169):

The problem as [McNamara] saw it was to create in the Bank a critical mass of power, both financial and technical, sufficient to accelerate the rate of development in the poorer countries to a high but sustainable level. [He] was fully aware that about four-fifths of the resources for development must be provided by the developing country itself, and of the remaining fifth only a small proportion could come from the World Bank. But he was determined to use that small contribution to make the maximum impact on the development strategy of the country. And since he was determined that the Bank would operate in nearly every developing country, its overall influence could be immense, certainly far greater than any other development agency.

The Group was now contributing to the constructing, projection, and legitimisation of the mainstream discourse. As Cheryl Payer noted, ‘Some call it the best, some call it the worst; but no one escapes its influence’ (1982, 15). Technical assistance became one of its tools to ensure this end. Being scientific, objective, and value-neutral meant that it was indisputable.

Poverty

If McNamara’s legacy as Group President could be epitomised in a single, defining event, his Annual Address to the Board of Governors in Nairobi, Kenya, on 24 September 1973 would be it. During this address, McNamara introduced “absolute poverty”. Recognising that the ‘development jeopardy [was] greatest for those that are the poorest’ (World Bank, 1974b, 5), McNamara took up Woods’ mission to broaden and redefine the realm of development, adopted a basic human needs approach, and moved ‘poverty up front, from the rear of the bus’ (Kapur, Lewis and Webb, 1997b, 215).

More so than any president before him, McNamara skilfully used speeches to convey the mission of the Group and to project his view of development. A skilled orator, in both the passion with which he spoke and the content of
his ideas, McNamara used speeches to signal shifts in the Group. During his Nairobi Speech, presented before the first World Bank Board of Governors meeting held in an African country, he drew the distinction between relative poverty (‘some countries are less affluent than other countries’) and absolute poverty. Cautioning his audience of the insidious danger posed by the latter, McNamara defined absolute poverty as (World Bank, 1973b, 16)

a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities ... A condition of life so limited as to prevent realisation of the potential of the genes with which one is born; a condition of life so degrading as to insult human dignity.

Alleviating poverty now became the Group’s mission until McNamara retired, a turn requiring a far more interventionist and policy-minded Group.

While the Nairobi Speech launched the alleviation of poverty as a key focus of the Group, with a moral obligation imposed upon developed countries to assist the developing, in hindsight it was only a preamble to the concept. The focus then was restricted to poverty alleviation in rural sectors, but not in terms of large-scale projects. The Group began assisting those who had previously been ignored: the small farmer. It assumed that if you increase the productivity of the least productive, you increase the productivity of all. As McNamara argued after his retirement, the ‘best way’ to address poverty is to ‘[help] the absolute poor – who by definition are the low-productivity elements of society – become more productive’ (1981/1982, 129). Despite the rhetoric, economic productivity remained the yardstick of development.

The Group began providing financial and technical assistance that targeted infrastructural growth with increased inputs to the individual farmer, which included land and rent reform, local market construction, simple technology upgrades, education, health, nutrition, population planning, environmental management, and assistance to small-scale entrepreneurs (World Bank, 1974a, 9-10; Yudelman, 1976, 309 and 316; Bennholdt-Thomsen, 1980, 13; ul Haq, 1982, 4-5). By the close of the decade, the Group had become the largest agricultural development lender in the world (Payer, 1979, 294), with the provision of software designed to strengthen institutional capacity.
Despite this arguably progressive turn, there remained critics. As Cheryl Payer argued, ‘the real aim of [these] programs is the destruction of what is left of subsistence production and the integration of all agricultural lands into the commercial sector through the production of a “marketable surplus” of cash crops, for the domestic market or for export’ (Payer, 1979, 297-298). Under her argument, the Bretton Woods institution was attempting to alleviate rural poverty through the commercialisation of the agricultural sector, ensuring production for the market. This market-centric mentality was increasingly dominating the core project, the mainstream development discourse, and thus the Group as neoliberalism slowly eroded Keynesianism following the early 1970s collapse of the Bretton Woods monetary regime.

In his 1975 Annual Address to the Board of Governors, held in Washington, D.C., McNamara expanded the concept of absolute poverty to include the causal links between rural poverty and urban poverty. To escape the severe problems of rural poverty, or so McNamara argued, there led a mass exodus of people to urban centres in order to gain a better quality of life. Those centres, incapable of handling the influx, become themselves impoverished.

While the Group provided support mechanisms to the agricultural sector and the small farmer to address rural poverty, the alleviation of urban poverty required instead the improvement of public utilities, housing reform, and the creation of employment opportunities (McNamara, 1975, 340; World Bank, 1975c, 29). Interestingly, McNamara was initially reluctant to tackle urban problems, his preference being to remain focused on rural poverty. As Edward Jaycox, a lead author of the 1975 Annual Address, recalled, ‘We had a hell of a time getting [McNamara] to accept it. I pleaded with him. I said, “Look, you know you cannot just go after the rural poverty. The biggest aspect of poverty is urban poverty’ (1995, 8). Thus, rural and urban poverty alleviation became the mission of the Group. This however led to new problems for the Group, in particular the legitimacy of its new mission.

The turn towards poverty-based lending consequently led to the pervasion of “political factors” in Group development assistance (Payer, 1982, 316). Building infrastructure and industry was “safe”, as loan repayments could be predicted, societal benefits quantified, and there would generally be little
domestic political fallout. Absolute poverty, however, targeted the alleged needs of those millions living in horrendous conditions. The Group was making normative judgments about how to “improve” a section of society.

The focus of the Group was no longer simply on building infrastructure, but now the transformation (or “modernisation”) of traditional rural societies. While the status quo of lending operations styled in the 1950s and 1960s remained, poverty-based lending totalled a quarter of World Bank financial assistance during the McNamara presidency (Birdsall and Londono, 1997, 33; Kapur, Lewis and Webb, 1997b, 310). Yet, due to the complex nature of poverty, these “social projects” were ‘harder to develop, more subject to delays, and more susceptible to failure’ (Crane and Finkle, 1981, 516). The Group had moved from cautious conservatism to a more risky, yet innovative, approach to development assistance: redistributive growth and poverty alleviation (Westebbe, 1988, 20; Paarlberg and Lipton, 1991, 478).

The Integrated Rural and Urban Poverty Project to Mauritania approved in March 1979 provides a good example of a poverty-based IDA credit. The project consisted of three components, which delivered financial and technical assistance to the industrial (for building small and medium enterprises), artisan (for restoring and expanding the production of knotted carpets and training weavers), and agricultural (for new village irrigation schemes) sectors. It also offered consultant services to study the feasibility of establishing a gypsum plaster-brick industry to replace the far more expensive importation of cement (Mauritania, 1979; World Bank, 1979a).

Mauritania became a member of the World Bank in 1960, following its independence from French rule. At the time, the majority of the population was comprised of poor nomadic herdsmen. Over the next two decades, the country suffered numerous problems. These included budgetary issues, a reduction in income gained from iron ore (then comprising eighty percent of its export earnings), an annual food deficit of 70,000 tons of grain, a series of droughts undermining its agricultural production, conflict with the former Spanish Sahara, and a shrinking rural sector and an expanding urban sector (Mauritania, 1979; World Bank, 1979a; World Bank, 1979b). The short-term objectives of the project were thus to contribute to the alleviation of
rural and urban poverty through the creation of employment opportunities and increased food production (World Bank, 1979a). The project objectives were “to a large degree accomplished”, but there were several failures, notably the “insufficient accomplishment” of its institution building initiative. Poverty-based lending was therefore a risky, yet innovative, new approach.

**Technical Assistance**

The poverty-driven Group markedly expanded its provision of soft technical assistance to establish ‘strong national institutions to promote development’ (World Bank, 1974b, 58). While the importance of the 1973 Oil Shock to the turn towards software cannot be overstated, the conceptual evolution of poverty-based lending broadening the focus of its development assistance led to the expansion in scope and volume of technical assistance. Since the Group was no longer simply lending to build infrastructure, but was rather exercising a social conscience and making normative judgments in an effort to transform societies, its advisory services took on a prominent, catalytic role in developing the capacity of domestic institutions (Ayres, 1983, 54). The Group concluded that finance alone could not resuscitate its member countries in crisis, and thus software became increasingly more important.

The World Bank published *The Assault on World Poverty: Problems in Rural Development, Education, and Health* in 1975, which analysed the causes of poverty and prescribed remedies. A seminal publication, which defined the Group’s approach to poverty alleviation, it detailed not only the introduction of “new style projects” (designed to benefit large numbers of rural poor, to comprehensively approach small-scale agriculture, and to be of low cost), but also the role of technical assistance (World Bank, 1975a). As poverty alleviation came to underpin the Group’s entire approach to development assistance, technical assistance evolved to complement these changes. In addition to the growing sophistication of hardware, soft technical assistance included training to overcome manpower constraints, attention to public sector organisations, and research and information gathering to provide more adequate understanding and guidelines. The Bank will encourage and, where requested, provide technical and financial assistance to governments that wish to devise comprehensive rural development plans. Where
governments do not appear interested in developing a strategy for reducing poverty in rural areas, the Bank will seek to identify and prepare rural development projects, while engaging in a dialogue on possible changes in development strategies and policies. Where governments are interested in experimental rural development programs or projects, the Bank will support them. The Bank's economic, sector and regional planning missions will try to identify the target groups in the rural areas and the key technical, policy, organisational ..., and manpower constraints (World Bank, 1975a, 13-14).

*The Assault on World Poverty* listed training, public sector organisation, and research and information as the three main objectives of software in aiding poverty alleviation (World Bank, 1975a, 74-75). Of the three, public sector organisation was the most notable. This is because the reorganisation of the public sector would become very important during the 1980s in ensuring the acceptance and adoption of neoliberal stabilisation and adjustment reforms.

Technical assistance projects provided by the World Bank during the 1970s reflected the increasing focus on rural and urban poverty alleviation and the shift towards software. Projects to Bangladesh, Benin, Burundi, Colombia, Egypt, Indonesia, Mauritania, Sudan, and Zaire all contained provisions for institution building, supervision, and studies to help government ministries develop their rural and urban sectors. These provisions emphasised basic needs, employment, housing, irrigation, livestock, roads, utilities, and water supply (World Bank, 1974b, 53; World Bank, 1976, 67; World Bank, 1977, 73; World Bank, 1979c, 88; World Bank, 1981b, 115; World Bank, 1982b, 112). Technical assistance was becoming more sophisticated, legitimising those “truths” which the Group determined to be vital to “solving” poverty.

*Crisis in the World Economy, Part I: The 1973 Oil Shock*

On 16 October 1973, some three weeks after the Nairobi Speech, OPEC raised the price of crude oil by seventy percent, capitalising on a commodity boom. While highly profitable for the OPEC countries (to the amount of US$130 billion per year), this exacerbated extant balance-of-payments crises, increased external debt and fiscal deficits, and contributed to the slowdown of economic growth and trade throughout the world economy (Chenery, 1975, 242-243; Issawi, 1978/1979, 3-4). The sharpest slump of
the Bretton Woods era and the fifth petroleum spike since the Second World War, the 1973 Oil Shock led to economic instability in numerous developing countries. In Central and Latin America, as an illustration, Argentina, Brazil, Chile, Guyana, Mexico, and Peru felt its impact significantly, reducing their purchasing power, causing severe inflation, and lowering their terms-of-trade. While the larger oil-importing countries in the region bounced back, the depressed global conditions limited the prospects for economic growth. At the same time, the breakdown of the Bretton Woods monetary regime and the devaluation of the American dollar accelerated the downward spiral.

The impact of the Oil Shock was not limited to developing countries. By early 1974, the majority of developed countries were similarly facing balance-of-payments crises and greatly reduced growth rates. This caused a feedback issue, whereby the deterioration of developed economies led to the slowdown of foreign aid and investment into developing countries. The situation worsened throughout the 1970s, peaking in 1976. A period of recovery followed in 1977 and 1978, but vanished with the 1979 Oil Shock.

**The Response of the World Bank Group**

Combined with the turn towards poverty-based lending, the 1973 Oil Shock posed two challenges for the Group: first, the need to reduce the existing number of poor within its member countries, and, second, the need to prevent a rapid increase in the number of poor due to the deterioration of the world economy (Kraske, 1996, 200). As McNamara stated in his 1974 and 1975 Annual Addresses to the Board of Governors, rising petroleum prices and rapid inflation were the two main challenges to economic growth (World Bank, 1974c, 25; World Bank, 1975c, 17). The Group’s mission thus became the pursuit of poverty-based lending, while assisting its member countries cope with the turbulent fluctuations affecting the world economy.

The 1973 Oil Shock undermined the rhetoric of the Nairobi Speech. The campaign against poverty unveiled by McNamara received ovations from the audience, from developed and developing countries alike, strengthening his confidence at the beginning of his second term (Clark, 1981, 176-177). Following the rapid rise in petroleum prices however, many commentators
used the economic downturn to voice their dissatisfaction of McNamara as Group President, particularly of his rapid expansion of financial assistance and his shift towards social issues (Asian Affairs, 1975; Rickett, 1986, 8-9).

World Bank financial assistance grew significantly between 1973 and 1979. As an illustration, while the World Bank committed US$3.4 billion in loans and credits in 1973, this amount had risen to US$10 billion in 1979 (World Bank, 1974b, 3; World Bank, 1979c, 8). Paralleling this threefold increase, the number of professional staff employed by the World Bank also rose, from 1,654 in 1973 to 2,382 in 1979. McNamara advocated this expansion in staff numbers, for additional personnel meant that the World Bank could provide more financial and technical assistance, leading Rosemary E. Galli to observe in 1976 that the ‘Group [now] provides about 50 percent of all multilateral development assistance (technical assistance included)’ (1976, 70). The Group was now the leading international development institution.

The IFC also grew, if somewhat more modestly. Since the IFC did not adopt policy-based or structural adjustment lending, the period up until the 1982 Debt Crisis can be analysed without the need to discuss the 1979 Oil Shock. In contrast to prior decades, the IFC “came into its own” under McNamara, and would become instrumental to the Group following the appointment of Clausen. Cumulative IFC financial assistance from 1956 to 1973 totalled US$848.1 million. Under the executive vice presidencies of William Gaud, Ladislaus von Hoffmann, Moeen A. Qureshi, and Hans Wuttke, this amount rose to US$4.7 billion by 1982 (IFC, 1973, 5; IFC, 1982, 4). In addition, twenty-four new countries joined its membership. Yet, it continued servicing the same major sectors that it had during earlier decades: agribusiness, capital markets, cement and steel, development finance companies, energy and minerals, fertiliser, food processing, manufacturing, petrochemicals, pulp and paper, and tourism. The most important development, however, was that software increasingly dominated its technical assistance portfolio.

Reimbursable Technical Assistance

A technical assistance anomaly emerged soon after the 1973 Oil Shock. The World Bank introduced reimbursable technical assistance, which it provided
to first and second tier petroleum exporters (Kuwait and Saudi Arabia of the former, Iran and Venezuela of the latter). This reimbursable service, offered to petroleum exporting member countries that did not require financial assistance due to high per capita incomes and vast petrodollar surpluses, epitomised soft technical assistance. This advisory service was reimbursable because the recipients paid for the assistance provided, rather than having it attached to a project or program. While hardware remained, there was evidence of support for personnel training, national institution building, sector planning, and the preparation of national accounts and long-term economic goals (World Bank, 1978a, 180). The petroleum-exporters were receiving guidance on how best to implement their development programs.

Saudi Arabia was consistently the largest recipient, annually receiving close to ninety percent of all reimbursable technical assistance during the 1970s. Former World Bank staffer Willi Wapenhans recalled in a 1993 interview that

> a technical assistance program was wanted for Saudi Arabia; but since the country was rich it had to be on a reimbursable basis and without any lending. Management obviously thought that I might be the person to persuade the Saudis that the Bank had useful expertise to offer to which they could have access at cost. We would, however, employ our normal policies, practices and criteria, including those of open bidding, transparency in decision-making, and the application of strictly objective decision-making criteria. This later stricture was aimed at curbing open and concealed forms of collusion and corruption. So I was launched into an association that later spread beyond Saudi Arabia to other parts of the Middle East and lasted to this day. I went to Saudi Arabia for the first time in the spring of 1973 to develop and agree to a technical assistance program on a reimbursable basis helpful to the Kingdom of Saudi Arabia (Wapenhans, 1993, 23-24).

Although a relatively small financial expenditure compared to other World Bank advisory services, reimbursable technical assistance steadily increased during the McNamara presidency, from US$3.2 million in 1977 to US$5.8 million in 1981 (World Bank, 1977, 164; World Bank, 1979c, 195; World Bank, 1981b, 200). The 1973 Oil Shock had thus created an opportunity for the World Bank to devise and deliver new types of soft technical assistance.
An International Development Institution

The 1973 Oil Shock was a decisive moment between the Bretton Woods and neoliberal core projects. The demise of the Bretton Woods monetary regime undermined Keynesianism, which the rising forces of neoclassicism and monetarism had already partly eroded. At the same time, the relative power of labour vis-à-vis capital declined, this being a result of the paucity of employment opportunities during an economic downturn and the concerted efforts of many governments to reduce the power of trade unions. From the rubble, market-based ideas began to rival – and then surpass – state-led practices. As an illustration, whereas Keynesianism recommended state intervention to manage demand, proponents of the free market advocated instead the rollback of the state to stabilise global economic fluctuations. The market-based advocates concluded that the free market would benefit all. Ironically, the neoliberal position required heavy state intervention to ensure the transference of responsibilities from the state to the market (Jansen, 1983, 20-21; Mundell, 1983, 45; Berger and Beeson, 1988, 490-491; Pereira, 1995, 219-220; Margheritis and Pereira, 2007, 43-44). As a caveat, the turn from Keynesianism to neoliberalism was a gradual process, ongoing until the 1979 Oil Shock sank the final nail in the state-led coffin.

The demise of Keynesianism led to a paradigm shift towards market-based ideas, loosely congregating under the umbrella label of neoliberalism. As James Ang observed, the mainstream economic literature of the early 1970s began to stress a correlation between financial liberalisation and investment in encouraging long-term growth, as argued in Ronald McKinnon’s *Money and Capital in Economic Development* (1973) and Edward Shaw’s *Financial Deepening in Economic Development* (1973) (2010, 197). The mainstream discourse was now recognising the free market as a key vehicle for growth. Björn Hettne contributed to this debate by noting that the ‘new paradigm was to rule for three decades. Development now came to means freeing the market from political and bureaucratic hurdles, once established in order to regulate the economy for the sake of stability and welfare’ (2010, 38-39).

The Group was a paradox during the 1970s. It attempted (with difficulty) to straddle the divide between the state and the market. As an example, the
1976 *World Bank Annual Report* concluded on the one hand that trade liberalisation was important to economic growth, while it maintained its mission to alleviate poverty by advocating full national employment and income redistribution via interventionist state policies (World Bank, 1976).

Despite increasingly adopting market-based rhetoric towards the end of the decade, McNamara was reluctant to embrace the liberalisation crusade, instead maintaining elements of the fading Keynesian orthodoxy. Supported by the quantitative forecasting and planning models of demand-side economists and confidants Hollis Chenery and Mahbub ul Haq, McNamara pursued his poverty-alleviating mission by prescribing substantial state intervention in the rural and urban sectors (Kapur, Lewis and Webb, 1997b, 224; Stern and Ferreira, 1997, 528; Krueger, 1998, xiv; Dethier, 2009 3). State-led development was losing favour in the mainstream discourse, but the Group attempted to maintain its legitimacy. The neoliberal reformation of the Group (and its projection and legitimisation of the new core project) only began after McNamara retired, with the 1981 appointment of Clausen.

Absolute poverty, social issues, the incredible growth of financial assistance, a large recruitment drive, and the launch of its formal research program coalesced to transform the Group from development bank into development institution. The provision of technical assistance began to flourish from this point onwards. With an increasing disposition towards software, the Group began contributing more and more to the construction, projection, and legitimisation of the mainstream development discourse, utilising its material and ideational capacities to create developmental “common sense”.

**Hollis Chenery and the Research Program of the World Bank**

An international development institution is able to influence development theory and practice. Combining the delivery of financial assistance with the provision of specialised knowledge, such an institution is effectively able to persuade others to accept and adopt particular approaches to development, as well as legitimising “truths” as to what development means. Central to becoming a development institution is the publication of academic research.
On 10 August 1972, the World Bank announced a substantial reorganisation of its hierarchical, institutional, and procedural structures, the largest since 1952. Willi Wapenhans, who worked for the World Bank from 1961 to 1992, remarked that the reorganisation shaped it ‘into an institution defined by economic planning, broad based, development-oriented, and no longer preoccupied with isolated entrepreneurial investment decisions’ (1993, 16). The reorganisation also established the Development Policy vice presidency, first held by Hollis Chenery. This vice presidency became the cornerstone of the World Bank’s publication of academic research (Ayres, 1983, 27). By 1980, it had supervised more than a hundred completed research projects, with Chenery being responsible for the direction of this research (Chenery, 1983; Friedman, 1986, 37; Krueger, 1998; Wolf, 2004, xiv; Dethier, 2009).

Chenery joined the Group in 1970 after a distinguished academic career, serving as Professor of Economics at Harvard and Stanford University during the 1950s and 1960s. A pioneer in development economics, his academic work included the study of patterns of development, the use of a two-gap model, and multi-sectoral analysis. During his tenure as Vice President of Development Policy, Chenery became McNamara’s confidant and helped to secure the Group as an international development institution by being, in the words of Richard Demuth, the ‘empire builder’ of its research program (1985, 11). Barend de Vries, who worked for the World Bank from 1955 to 1984, noted the influence of Chenery on development research (1986, 11):

[Much] of the research program under Hollis Chenery had an impact on development economics. All one has to do is look at the outline and literature of the courses on development economics at Harvard University or some of the books that have come out in recent years on development economics ... The Bank is now the principal source of development literature and was, under Chenery, the principal centre on development economics.

Chenery was influential in linking state-led income distribution to poverty alleviation in Group development assistance, building upon the declaration by the Nairobi Speech that trickle-down economics had failed (World Bank, 1973b; Dethier, 2009, 15). Stressing the need to reconcile economic growth with social equality, the Group published *Redistribution with Growth* (1974). Chenery was its main author, and he combined poverty alleviation, income
distribution, and economic growth, providing ‘an intellectual rationale for the approach that the [World] Bank was already taking to poverty – through “Bankable” or production-oriented poverty lending’ (Kapur, Lewis and Webb, 1997b, 233). To contextualise the nature of Group research during this period, of one hundred and thirteen research studies published between 1974 and 1980, which were designed to support lending operations, forty-three publications analysed state-led income distribution. Chenery supervised the drafting of these research studies. As the ‘principal centre on development economics’ (de Vries, 1986, 11), the Group was constructing and projecting the position that growth was unsustainable without equality.

The launch of the *Country Economic Memorandum* and *Current Economic Position* papers and the *World Bank Atlases* played a large role in extending the intellectual influence of the Group. The *Country Economic Memorandum* and *Current Economic Position* papers, which formed a policy dialogue between the Group and its member countries, replaced the survey missions of the Black and Woods presidencies (Westebbe, 1988, 22). They analysed the development potential of its member countries, designed to improve the success rates of future financial assistance. Between 1973 and 1982, sixty countries had received detailed surveys of their economies. These surveys used data and statistics to convince recipients that particular growth sectors needed “improvement”. The *World Bank Atlases*, conversely, were broader in scope, analysing at-a-glance average annual population, production, and growth rates. In addition to providing a compendium of country data, the *Atlases* charted fluctuations in the world economy. Through these regularly published reports, the Group effectively compiled a vast reservoir of data on its member countries, the world economy, and patterns of development, adding weight to its “truth” when recommending particular “improvements”.

The research program of the Group did not evolve in a vacuum. The Second United Nations Development Decade, which began in January 1971, saw the adoption of an *International Development Strategy for the Decade* based upon social welfare, distributive justice, gender equality, and basic human needs. Underpinning this strategy was the encouragement of international trade, economic cooperation and liberalisation, regional integration, human development, and adjustment assistance (United Nations, 1970, 306; World
Bank, 1977, 9; Hürni, 1980, 1). The mainstream discourse, witnessing the collapse of the Bretton Woods core project, was considering factors beyond simple growth. The Group’s research program, led by Chenery, also emphasised social issues, poverty alleviation, and basic human needs, to the point of building a conceptual and methodological framework to address these issues. In pursuing its mission to alleviate global poverty, the Group was influencing and was also being influenced by the mainstream discourse.

**Technical Assistance**

With its mission to alleviate poverty, its broadened knowledge base, and the economic downturn worsened by the 1973 Oil Shock, the Group began to utilise its technical assistance portfolio in new ways. Software became more prominent as a result. Technical assistance was provided as components of lending operations, stand-alone projects, the initiatives of the IFC and the ICSID, the services of the PPF, the courses of the EDI, and UNDP-financed projects. According to Julian Grenfell, McNamara encouraged the expansion of technical assistance because it performed an important function that only required a small quantitative expansion of the Group’s activities (1986, 13).

In response to recessions in developed and developing countries, increases in primary commodity and petroleum prices, and shortages in fertiliser and food, the Group adopted a far more interventionist approach when providing technical assistance. Economic, sectoral, and institutional analyses became tools for influencing broad policy reforms. Given this increase in importance, technical assistance components embedded in World Bank loans and credits rose in value between the two Oil Shocks, from US$87.3 million in 1973 to US$359 million in 1979 (World Bank, 1974b, 58; World Bank, 1979c, 107). In part for this reason, Joseph Collins and Frances Moore Lappe concluded in 1979 that the Group ‘is not simply a provider of development loans. Over the past few years, it has become a major force in shaping the economic policies of various countries’ (1979, 855). The Group was being recognised for its ability to persuade the acceptance and adoption of particular “truths”.

Hardware remained the main type of technical assistance provided by the Group, despite the increasing prominence of software. In Latin America and
the Caribbean, the purpose of World Bank stand-alone technical assistance projects was to support lending operations. These projects focused on the hardware sectors of agriculture (rural farming and livestock assistance) and infrastructure (railways, roads, and highways). The larger countries (Brazil, Mexico, and Peru) and smaller countries (Costa Rica, Guyana, and Uruguay) received near synonymous projects. In 1974 and 1975, Chile, Colombia, and Paraguay received pre-investment studies surveying their agricultural and manufacturing sectors totalling US$18 million (Chile, 1974; Colombia, 1974; Paraguay, 1975). Likewise, Ecuador received the Technical Assistance Project (02), which assisted the creation of a National Pre-Investment Fund to support state-led development programs (World Bank, 1978a, 58). The above examples are relevant not only because they illustrate the continued dominance of hardware, but also because Latin America and the Caribbean was the largest recipient of World Bank technical assistance during the 1970s (World Bank, 1974b, 134-135; World Bank, 1984b, 208). The above examples are thus representative of broader trends within the World Bank.

Moving beyond Latin America and the Caribbean, the following two series of stand-alone projects are illustrative examples of the technical assistance trends underscoring the McNamara era, exposing the intermarriage between hardware and software. First, four projects to Bangladesh between 1973 and 1981, and, second, three projects to Tanzania between 1975 and 1982.

Bangladesh has been one of the largest recipients of IDA assistance over the past several decades, with World Bank commitments exceeding US$15 billion. Four IDA projects illustrate this case study: the Technical Assistance Project (1973), the Technical Assistance Project (02) (1976), the Technical Assistance Project (03) (1978), and the Technical Assistance Project (04) (1981). The first two projects focused on agriculture, fishing, and forestry, and the latter two focused on public administration and legal frameworks. The four projects were designed to improve the government’s institutional capacity to deliver development programs through pre-investment and engineering studies, consultant recruitment, and the training of personnel.

The first and second projects arose in response to the precarious nature of the Bangladeshi political and economic milieu of the early 1970s: threats to
sovereignty, natural disasters, refugee resettlement and relief, and poor economic output, unemployment, and food distribution. From this came the need to strengthen the institutional capacity of the government to deliver a pipeline of development programs (IDA, 1973; IDA, 1976). The Ministries of Agriculture, Fisheries and Forestry, Flood Control and Water Resources, Local Government and Rural Development, and Planning and Finance all received staff training. The *Completion Report* of the projects concluded a satisfactory result in strengthening the institutions responsible for project planning and implementation and in building national expertise (IDA, 1983).

The third and fourth projects were similar to the first and second projects, supporting pre-investment studies, consultant recruitment, and training for project preparation. In contrast to the earlier projects however, these were not limited to agricultural sector support. They aided government ministries much more broadly (IDA, 1978; IDA, 1981). Their focus was to improve the limited absorptive capacity of national bureaucracies at every stage in the project cycle, meaning a far more prominent role for software. The *Project Completion Report* of the fourth project held that its emphasis on institution building was stronger than the earlier projects (IDA, 1989). Nonetheless, the software elements of the third and fourth projects were quite limited compared to what would characterise technical assistance during the 1980s.

The three IDA technical assistance projects to Tanzania were more varied than the Bangladeshi projects: the 1975 *Technical Assistance Project* (public sector management adjustment), the 1980 *Technical Assistance Project (02)* (trade and policy reform), and the 1982 *Technical Assistance Project (03)* (agriculture, fishing, and forestry reform). The first project committed eighty personnel years of consulting services to prepare pre-investment and feasibility studies for high priority projects, as well as overseas training for domestic officials in the project preparation process. The second and third projects were also oriented towards institution building to prepare and implement development projects through the provision of consulting services and training programs for export promotion and internal auditing.

The first project arose because of a severe financial crisis facing the country in 1974, stemming from a brutal drought and the 1973 Oil Shock, both of
which led to a sharp decline in food crop production and foreign exchange reserves. The primary objective of this project was to improve the quality of investments in the productive sectors of the economy, especially since at the time Tanzania had few well-prepared projects, poor capacity utilisation, inefficient industries, and a shortage of qualified and experienced personnel (IDA, 1975; IDA, 1987). Similar objectives underpinned the second project, its design being to guide the flow of investment towards productive sectors (IDA, 1980; IDA, 1990). The third project, building upon the former two, provided aid to the agricultural sector (managerial and operational support to strengthen financial control and management) and medium and short term planning and policy analysis for national economic policy (IDA, 1982).

The above stand-alone projects to Bangladesh and Tanzania illustrate the intermarriage between hardware and software during the McNamara era, particularly the growing prominence of soft technical assistance. This meant that technical assistance was being increasingly used to ensure the creation of the right sort of institutions and the provision of the right sort of training. These projects were teaching recipients to accept particular “truths”, while creating structures to maintain those “truths” after the projects concluded.

The International Finance Corporation

The IFC remained more aligned to software than the World Bank during the 1970s. By virtue of its mandate to assist private enterprise, it strengthened its advisory portfolio in regards to capital markets and financial institutions under the category of non-project policy assistance. As the private sector arm of the Group, it provided financial, legislative, and technical assistance that focused on the banking, finance, and investment sectors of its member countries. Though its engagement with these sectors substantially increased in parallel to the World Bank’s initiation of structural adjustment lending in 1980, the IFC focused on these sectors much earlier than the IBRD or IDA.

While the majority of its technical assistance portfolio was project-related, its provision of software largely came from non-project policy assistance, which was far more policy-oriented than World Bank software at that time. Reinforcing its self-declared catalytic role to private investment promotion,
IFC technical assistance targeted the entire breadth of the financial sector (IFC, 1976, 6; IFC, 1977, 8; IFC, 1978, 12; IFC, 1979, 20; IFC, 1980, 12):

- Assisting small and medium sized private enterprises;
- Assisting private enterprises access global capital markets;
- Creating financial institutions;
- Creating local capital markets;
- Diversifying and modernising private enterprises;
- Establishing internal information systems;
- Formulating fiscal policy;
- Reviewing investment codes for private enterprise;
- Supporting legal practices and financial documentation; and,
- Training recipients to understand modern financial data techniques.

Member countries in Sub-Saharan Africa, East Asia, Latin America, and the Middle East received legislative, regulatory, and policy support, as well as financial sector surveys and assistance to commercial banks and businesses (IFC, 1976, 8; IFC, 1977, 9; IFC, 1978, 17). The IFC was contending that a strengthened private sector was a valuable supplement to state-led national development plans and poverty alleviation schemes in developing countries.

The Capital Markets Department was particularly visible during this period, delivering most of the IFC’s non-project policy assistance. It provided advice and training on capital and securities markets, leasing policies, regulation, domestic savings, corporate ownership, and capital allocation, as well as guiding the creation and maintenance of financial institutions and markets, building cultures receptive to foreign investment (IFC, 1974, 8; IFC, 1979, 20; IFC, 1981, 20). The Capital Markets Department was using software to convince recipients of the potential growth role played by the private sector.

The overall contribution of the IFC to Group technical assistance was quite small during the 1970s, particularly when compared to the World Bank. For example, the Capital Markets Department in 1975 provided policy advice to the ministries and private enterprises of only fifteen countries (IFC, 1975, 7). Nonetheless, the IFC was more aligned to software than the World Bank.
The International Centre for Settlement of Investment Disputes

The ICSID remained a negligible contributor to Group technical assistance. It did however illustrate the growing importance of research to the Bretton Woods institution. It collated, classified, and disseminated information on national legislation and international agreements related to private foreign investment, creating an easily accessible database. After 1973, the ICSID began providing a loose-leaf service on a country-by-country basis. While at first limited to fifty developing countries, this loose-leaf service soon grew to ninety countries, which mostly included Sub-Saharan Africa and East Asia (ICSID, 1973, 5; ICSID, 1974, 5; ICSID, 1975, 6; ICSID, 1976, 6; ICSID, 1977, 5). The overall negligible contribution of the ICSID to Group technical assistance resulted in part from McNamara’s disinterest in the affiliate. As Aron Broches, who served as the ICSID Secretary-General from 1967 to 1980, commented when asked whether McNamara held any interest in the ICSID, he replied, ‘Not much, in part because it was not something that came from him ... Let me put it that way. And I think McNamara doesn’t believe in litigation as a means of solving disputes’ (Broches, 1984, 40-41).

The Project Preparation Facility

In line with the increasingly recognised need for strong national institutions following the shift towards state-led poverty alleviation and the crisis of the 1973 Oil Shock, the World Bank established the PPF in December 1975. Designed to provide pre-lending support by financing institution building for project preparation, the World Bank argued that improving the institutional weaknesses of recipients would lead to improved lending operation success rates. The financial advances provided by the PPF were to be repaid out of the loan or credit once the project became effective. The second subsidiary established that specialised in the provision of technical assistance following the EDI, the PPF became an amalgam of hard and soft technical assistance.

When first established, its capital ceiling was limited to between US$50,000 and US$150,000. This was however raised to US$1 million in 1978. During 1980, it was authorised to advance the following (World Bank, 1980b, 76):
• US$120,000 to Upper Volta for the preparation of a rice mill, crop research, and a general assessment of implementations efforts;
• US$200,000 to Niger for the preparation of architectural designs and to tender survey documents for an education project; and,
• US$320,000 to Benin for infrastructural and industrial development.

An amalgam of hardware and software, the PPF financed institution building that was principally directed towards infrastructural and industrial projects.

**The Economic Development Institute**

As the World Bank expanded its research program, the courses of the EDI soon followed suit. Two notable developments occurred during this decade.

First, the EDI adopted a “training-the-trainers” approach, which meant that its courses became oriented towards providing participants with the abilities necessary to teach their governments what they learnt. This coincided with its courses increasingly being conducted outside of the United States. While the number of Washington-based courses remained static – eleven in 1974 and nine in 1982, the number of overseas courses increased from nine in 1974 to fifty-five in 1982. The annual number of participants involved in its overseas courses rose from 200 to 1,300 between those years (World Bank, 1974b, 59; World Bank, 1982b, 42). The EDI adopted its training-the-trainers approach to empower its developing member countries, which arguably led the EDI to reinforce particular “truths” by training participants to train others. By encouraging the acceptance of ideas in participants, the EDI held that their governments would be more likely to adopt those ideas.

Not only were its courses held overseas, but also they were often devised as collaborative ventures (World Bank, 1974b, 59; World Bank, 1978a, 92). The EDI exercised a knowledge leadership role in the field of development:

- 1973:
  - An agricultural course run with the Government of Paraguay;
  - A Bangkok-based development banking course run with the Asian Institute for Economic Development and Planning; and,
o A Bombay-based regional development banking course run with the Bank Training College of the Reserve Bank of India;

1974
o An industrial projects preparation course run with the Centre for International Studies of the University of Belgrade; and,
o An agricultural course run with the Iraqi Ministry of Planning.

1976

1978
o A transportation course with the Egyptian Transport Authority.

The second notable development was that its focus shifted to include not only standard hardware courses, but also the greater utilisation of software. While hardware remained (agriculture, industry, transportation, population growth, and water supply and disposal), there emerged a greater emphasis on economic management, policy analysis, and development banking. New courses were added to its curriculum each year, so that by 1981 its courses ranged ‘from macroeconomic planning, pricing, and development policy to the design, appraisal, execution, and evaluation of the effects of investment projects’ (World Bank, 1981b, 73). This was a major conceptual break from the Black and Woods eras, reflecting changed development understandings within the Group and within the mainstream development discourse as well.

The United Nations Development Program

The World Bank continued to execute stand-alone projects financed by the UNDP. It implemented 392 technical assistance projects between 1973 and 1982 (World Bank, 1982b, 44). Interestingly, in pursuing its own evolving institutional mandate, the UNDP began to divorce itself rhetorically from the Group during the McNamara era, despite a rise in financial disbursements to World Bank executed projects. One reason for this distancing was its new focus on promoting country-led national development programs, opposing projects and programs driven by multilateral agencies (Galli, 1976, 67-68).
Crisis in the World Economy, Part II: The 1979 Oil Shock

While the late 1970s saw a return to relative stability in the world economy, a new round of petroleum price increases in 1979 were disastrous for many developed and developing countries. Struggling to manage the decade-long problems of severe inflation and trade and payments imbalances, the world economy rapidly deteriorated further. The consequences for the Group were immediate. The Group concluded that neither project- nor poverty-based lending could overcome the downward spiral facing many of its developing member countries. It therefore opted for an alternative that was then highly circumscribed by the Articles of Agreement of the World Bank: policy-based lending, targeting financial reform and economic restructuring. Structural adjustment lending became the chosen path, argued to be the only option to deal with long-term systemic problems in the face of short-term disaster.

At the same time, the battle between Keynesianism and neoliberalism over the prevailing core project and mainstream development discourse had seen the victory of neoliberalism. The Group, which had maintained its Keynesian position throughout the 1970s, began to promote the alleged necessity of trade and financial liberalisation. While the Group’s ideological base would transform even more dramatically under Clausen, McNamara’s final years saw the “retreat of poverty”. As Jean-Jacques Dethier observed (2009, 4),

> During the long macroeconomic crisis that started at the end of the 1970s, poverty considerations were set aside. The neoliberal perspective that dominated the 1980s considered that growth was all that really mattered for welfare outcomes, and that poverty and inequality would take care of themselves. Proponents of that view downplayed distribution and poverty, and insisted on re-establishing market mechanisms to promote ... growth.

Poverty-based lending, state-led development, and Keynesianism were all abandoned in theory and practice after the 1979 Oil Shock. The panacea of the unfettered free market was now heralded as the only path to salvation.

Yet, despite the leading role it would play in its construction, projection, and legitimisation during the 1980s and 1990s, the Group was slow to adopt the neoliberal turn during the late McNamara years. One reason for this was the
continued employment of demand-side economists (notably Hollis Chenery and Mahbub ul Haq) in prominent positions. Still, the maintenance of state-led approaches to development soon ran contrary to the rhetoric of the newly appointed administration of Ronald Reagan, leading to severe antagonism between the United States and the Group (Broad, 1981, 1919).

To illustrate the reluctance of McNamara to adopt the neoliberal turn, lending for divestiture and privatisation – a staple of structural adjustment lending during the 1980s – did not begin until after Clausen’s appointment. While the Group had begun advocating trade liberalisation in Argentina, Chile, Colombia, and Uruguay in 1974, Clausen pursued the neoliberal turn with enthusiasm. As an example, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (1981), known as the “Berg Report”, was the first Group document to argue that an interfering state was the main cause of economic problems (World Bank, 1981a). Poverty was now off the table.

**Structural Adjustment Lending**

With the 1979 Oil Shock, everything began to change quickly. Recognising that its developing member countries were suffering balance-of-payments crises beyond the capabilities of project-based loans, the World Bank turned to longer-term macroeconomic intervention through policy-based loans. The most important (and publicly debated) examples of such loans were SALs.

Following an intensive review in 1977 that expanded the previously limited mandate of policy-based lending, the World Bank Executive Directors in late 1980 approved the use of structural adjustment lending. This was preceded in April 1979 by a statement released by McNamara signalling the intent to make non-project assistance available to those member countries prepared to adopt policies regarded by the World Bank as necessary to development. A World Bank Development Committee communiqué published in April 1980 revealed positive reaction to adjustment lending (World Bank, 1980b, 67):

> The Committee welcomed the initiative taken by the Bank to provide assistance through structural adjustment lending on appropriate terms and conditions for developing countries which face difficult medium-term
prospects in their balance-of-payments. Members recognised the contribution that could be made through this type of non-project and program lending both to the rapid transfer of adequate resources and to the active pursuit of appropriate structural policies in the developing countries.

Importantly however, the IBRD Articles of Agreement continued to restrict policy-based lending, specifically Article III, Section 4 (vii), which states that 'loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development’ (IBRD, 2011). To circumvent this restriction, the World Bank steadily evolved the definition of “special circumstances” to serve its needs.

Structural adjustment lending was ‘designed to support major changes in policies and institutions of developing countries that would reduce their current account deficits to restore manageable proportions in the medium term while maintaining the maximum feasible development effort’ (World Bank, 1981b, 69). Pursuant to this, SALs pursued production adjustment, export diversification and enhanced competitiveness, rapid disbursing and labour intensive investments, institutional efficiency improvements, and the reappraisal of price and fiscal incentives (World Bank, 1980b, 68). From the outset, SALs were entirely different to the years of poverty-based lending.

Policy-based loans were not unique to the late 1970s. While SALs were new, program lending (another term for policy-based lending) had existed since the IBRD began operations. The first loan issued by the IBRD was a US$250 million program loan to France in May 1947. Despite this, program lending was on the ascent under McNamara. Nearly the same numbers of program loans were approved between 1971 and 1977 (twenty-seven loans totalling US$1.8 billion) as between 1947 and 1970 (twenty-six at US$1.7 billion). The main difference during the McNamara era was that program loans were concerned with macroeconomic and financial reform (World Bank, 1977). As the years advanced, program loans adopted the language of neoliberalism.

Turkey received the first SAL on 25 March 1980. It totalled US$200 million and it was the first of sixteen to be approved prior to the 1982 Debt Crisis. The other recipients were Bolivia, Côte d’Ivoire, Guyana, Jamaica, Kenya, Mauritius, Pakistan, the Philippines, Senegal, South Korea, and Thailand.
The cumulative cost of these sixteen loans was US$2.15 billion. While only a minor portion of total World Bank lending operations (5.8 percent in 1981 and 8.2 percent in 1982), SALs were a rising star (World Bank, 1982b, 40).

Turkey received four IBRD SALs between 1980 and 1983. Each loan saw a greater reliance on neoliberal prescriptions. The first SAL was a response to the 1979 Oil Shock, which had created significant problems for the Turkish economy because its economic, institutional and structural characteristics were highly sensitive to external distortions. The SAL emphasised three objectives: promote a greater reliance on market mechanisms, reduce state intervention, and increase export production (IBRD, 1980; Turkey, 1980). The second SAL built upon the first, prescribing various supply-side policies, export and import liberalisation, and the rollback of the state (IBRD, 1981; Turkey, 1981). The third and fourth SALs were even more neoliberal: trade liberalisation to eliminate uncompetitive industries, incentives to encourage export production, tighter monetary controls, interest rate deregulation, and the adoption of flexible exchange rates (IBRD, 1982; Turkey, 1982; Turkey, 1983). The Report and Recommendation of the President for the fourth loan was clear in its intent: the ‘aim of the program is to redirect the Turkish economy towards a development path placing more reliance on market forces and adopting a more outward-oriented strategy’ (IBRD, 1983, iii). As the McNamara era became the Clausen era, neoliberalism became “truth”. SALs were but one vehicle for the Group to disseminate neoliberal norms.

As a caveat, McNamara did not predict what SALs would later become under Clausen. For McNamara, structural adjustment was a means to improve the fundamentals of an economy, but not at the expense of poverty alleviation (McNamara, 1981/1982, 125-126). Clausen regarded it as an end in itself.

Structural adjustment lending was not without its critics in the Group. As Stanley Please, who worked for the World Bank from 1963 to 1983, noted, throughout the Bank at all levels there was a good deal of scepticism: we were throwing money at problems; if we couldn’t deal with policy reform through dialogue and project lending we weren’t doing our job, we didn’t need structural adjustment lending for that purpose. And so structural adjustment lending had few friends within the operating departments at
most levels. Where it was welcome was typically at the lower levels, the loan 
officer, the country economist, who could see the country suffering 
enormously from very badly distorted ... terms of trade (Please, 1986, 16).

Despite criticism, adjustment lending became increasingly commonplace in 
the Group, particularly after the 1981 appointment of Clausen. As a result, 
software came to dominate the World Bank’s technical assistance portfolio.

**Technical Assistance**

After the 1979 Oil Shock and following the introduction of structural 
adjustment lending, technical assistance embedded as World Bank lending 
operation components rose significantly. While components in 1979 totalled 
US$359 million, this figure grew to US$534 million in 1980, US$979 million 
in 1981, and US$1,151 million in 1982 (World Bank, 1979c, 107; World 
Bank, 1982b, 44). In the decade prior to the 1982 Debt Crisis, World Bank 
technical assistance increased fifteen percent each year, while lending only 
increased seven percent annually (Lethem and Riley, 1982). This increase in 
technical assistance resulted from the introduction of SALs and the resultant 
turn towards software. The Group held that the successful implementation 
of adjustment measures required software to build institutions and human 
resource capacity. Bettina Hürni argued that because of the turn towards 
soft technical assistance, the Group was able to influence ‘national economic 
policies on macroeconomic and microeconomic levels’ (1980, 117). Soft 
technical assistance became a tool to legitimise the neoliberal core project.

Stand-alone technical assistance projects were particularly revealing at this 
time. Institution development became an oft-repeated objective and the 
World Bank introduced “Public Sector Management Adjustment” projects. 
These projects involved improving the capacity of governments to manage 
national economies along neoliberal lines. While such projects existed in a 
limited fashion during the 1970s, these projects became dominant after the 
1979 Oil Shock. They targeted the following issues (World Bank, 1980a, 4):

- Financial systems (accounting, auditing, and financial planning);
- Technical and economic planning;
- Management methods (monitoring and evaluation);
- Maintenance systems;
- Organisational change;
- Staff recruitment and personnel training; and,
- Interagency coordination.

Technical assistance was no longer isolated (or conceptualised as a means) to implementing loans and credits. Entire economies were to be adjusted, an objective pursued through institution and human resource development.

The World Bank used stand-alone technical assistance projects to support SALs. During the early 1980s, Bolivia, Costa Rica, Guyana, and Panama all received SALs. Totalling US$212.2 million, these loans targeted balance-of-payments deficits, privatisation, and trade liberalisation (Bolivia, 1980; Guyana, 1981a; Panama, 1983a; Costa Rica, 1985a). Supplementing these loans, Costa Rica, Guyana, and Panama received TALs (Guyana, 1981b; Panama, 1983b; Costa Rica, 1985b). Intended to improve the success rates of their companion adjustment loans, these TALs built institutional capacity and trained officials to implement SAL conditions. The arguable purpose of TALs was thus to change institutions and mindsets in order to persuade the recipient to accept and adopt particular policy prescriptions. As former Vice President and World Bank General Counsel Ibrahim Shihata commented, ‘among the areas targeted by TALs are the strengthening of regulatory institutions and practices, the training of inspectors and auditors, and the establishment of legal and institutional frameworks for the restructuring of financial intermediaries’ (1991, 223-224). TALs ensured the implementation of SAL conditions by adjusting institutional frameworks and policy mindsets.

Focusing on the 1980 Bolivian SAL, the aforesaid loan that did not receive a companion TAL, its incorporated components and studies were typical of the turn towards software and the growing influence of neoliberalism. A US$50 million loan prescribing financial stabilisation measures, export promotion initiatives, and a public investment and financing schedule, US$1.3 million was earmarked for technical assistance and studies guiding policy change. Its components tackled the reformation of the mining sector’s taxation level and the liberalisation of agricultural exports, which included staff training for
both. The World Bank regarded these issues as the main weaknesses of the Bolivian economy (World Bank, 1984a). Its studies included analyses and recommendations on fiscal policy (four studies), export promotion (three studies), public sector reform, and the consolidation of financial systems for investments and related productive activities (World Bank, 1984a, 34), all of which were clearly aligned towards software and neoliberal prescriptions.

In addition to SALs, Latin America and the Caribbean also received several notable policy-based loans during the early 1980s. These loans incorporated soft technical assistance components to guide institution development (Uruguay, 1982; Peru, 1982; Guatemala, 1984; Chile, 1985; Brazil, 1985):

- Uruguay received the Industrial Development and Export Expansion Project supporting the liberalisation of the industrial export sector;
- Peru received the Public Sector Management Project supporting public sector reform and promoting a greater reliance on market signals;
- Guatemala received the Industrial Credit Project supporting the liberalisation of the financial sector and national export framework;
- Chile received the Public Sector Management Technical Assistance Project supporting the public administration and legal sectors; and,
- Brazil received the Development Banking Project (03), one of a series of loans reinforcing the capacity of the Brazilian development banks.

The expansion of soft technical assistance and its infusion with neoliberal norms was symptomatic of the introduction of SALs. Institution and human resource development became a means for the Group to convince recipients to accept neoliberal ideas and to create structures to reinforce those norms.

The World Development Reports

The extensive research program of the McNamara presidency culminated in the 1978 unveiling of the World Development Reports. Just as soft technical assistance reinforced the practice and rhetoric of neoliberal adjustment, the World Development Reports followed suit. Although first published prior to the initiation of SALs, they later attempted to legitimise the neoliberal turn.
The inaugural 1978 Report, a “comprehensive assessment of global issues”, was ‘designed to help clarify some of the linkages between the international economy and domestic strategies in the developing countries against the background of changing patterns of interdependence and increasing complexity in the world economy’ (World Bank, 1978b, 2). Continuing the trends established by the 1973 Nairobi Speech, the 1978 Report focused on Sub-Saharan Africa and East Asia and argued that equitable development required improved agricultural growth and the alleviation of rural poverty (World Bank, 1978b, 65). The 1979 Report, building upon the 1978 Report, focused more particularly on middle-income countries (World Bank, 1979d).

In the wake of the 1979 Oil Shock however, the 1980 and 1981 Reports turned their attention to those sectors that would dominate the 1980s: debt servicing, adjustment, balance-of-payments issues, export-led growth, and trade liberalisation (World Bank, 1980c; World Bank, 1981c). The years between the 1979 Oil Shock and 1982 Debt Crisis saw new ideas emerge in the Group and the mainstream discourse over what “development” meant. The state had become the problem, while the market was now the answer.

**Neoliberalism**

In July 1981, Alden Winship (“Tom”) Clausen succeeded McNamara as the sixth Group President. Holding positions at the Bank of American before and after his leadership of the Group, his experiences had a profound effect on the Bretton Woods institution. This is because the legacy of Clausen centres not on his wrestling with the 1982 Debt Crisis or his financial management of the Group. He is remembered for his advocacy of neoliberal adjustment.

With the replacement of McNamara by Clausen (and the ousting of Chenery in favour of neoliberal economist Anne Krueger), the Group began to pursue neoliberal reforms through policy-based lending. Its mission was no longer state-led poverty alleviation, but “getting the prices right” via privatisation, deregulation, and trade and financial liberalisation. Technical assistance consequently expanded, and it grew to be more important and entrenched as software. The Group was becoming unrecognisable to its earlier decades.
More so than any previous Group President, Clausen was acutely sensitive to the political pressures of the United States. The dogmatic commitment to neoliberalism by the conservative regimes of American President Ronald Reagan and British Prime Minister Margaret Thatcher pressured the Group to purge Keynesian economics (and economists) from its ranks (Paarlberg and Lipton, 1991; Holland, 1994; Beeson and Islam, 2005; Babb, 2009). The neoliberal turn in the Group was in part a product of external influence.

As individuals and leaders, the distinction between McNamara and Clausen could not have been stronger. Whereas McNamara has been immortalised as a symbol for the Group and an inspirational leader in the development discourse, Clausen was an administrator. Several World Bank staffers, who worked under both presidents, supported this view. Warren Baum held that 'McNamara was the quintessential leader, Clausen was the quintessential manager' (1986, 23). Ernest Stern argued that 'Clausen was not a fighter like McNamara, he was not as aggressive substantively or as dominant ... [Clausen] wasn’t a Washington insider and ... he didn’t have a development agenda of his own’ (1995, 14). Lastly, Visvanathan Rajagopalan observed that the Group under Clausen changed ‘from a development institution with an almost missionary zeal, to an institution which [was] more bureaucratic’ (1993, 32). The Group of the 1980s had reverted to a financial institution.

Vividly illustrating the “art of paradigm maintenance”, the arrival of Anne Krueger as Chief Economist in 1982 followed the appointment of Clausen. An international trade specialist and the first female vice president, Krueger had gained standing in Washington, D.C., through the publication of several influential papers on rent seeking during the 1970s (see Krueger, 1974 and Krueger, 1978). Her arrival led to the purge of the Development Research Department. Hollis Chenery and Mahbub ul Haq having left with McNamara, Krueger set about removing all traces of Keynesianism. Eighty percent of the Research Department resigned and she established an “intelligence system” to identify dissonant staff views (Stein, 2008, 37). As Robert Wade argued, the Chief Economists determine ‘what research is done and by whom, what evidence is accepted, what conclusions are drawn, how much and how long the results are scrutinised internally before being published, how the conclusions are advertised, what follow-up research is undertaken,
and what is done to inject the findings into operational work’ (2002, 206). During Krueger’s tenure, atheists were not suffered in the neoliberal church.

With the onset of the 1982 Debt Crisis, the Clausen presidency abandoned poverty-based lending and prescribed neoliberal adjustment measures as a means to combat the deterioration of its developing member countries. The Group was on the cusp of radical change, with software playing a large role.

**Conclusion**

The place and role of the World Bank in this scheme of things continues to be of interest. The Bank reflects the world economic system in a number of ways …, in its structure, philosophy, lending practices (Selassie, 1984, 37).

The Group has always held particular interpretations of “development”, a reflection of the prevailing core project and the mainstream discourse. The years between 1973 and 1982 demonstrate the evolving nature of its reading of development. Under poverty-based lending, the Group adopted a socially conscious and interventionist approach to development assistance, with its technical assistance portfolio shifting from hardware to software as a result. When the neoliberal core project emerged, its technical assistance changed dramatically, becoming more involved in shaping institutional frameworks and policy mindsets, its implied scientific, objective, and value-neutral nature arguing the legitimacy of its new neoliberal meta-paradigm.

*Chapter Five – The Neoliberal Age* turns next to adjustment lending and soft technical assistance during the “lost decade for development”. Beginning with the 1982 Debt Crisis and ending with the collapse of the Soviet Union, this chapter reveals the Group’s advocacy of neoliberal financial adjustment throughout the 1980s. Under the presidencies of “Tom” Clausen and Barber Conable, the Group abandoned state-led development and placed all faith in the market. Software ensured that its member countries also did the same.
Chapter Five
The Neoliberal Age
1982 to 1991

At the beginning of the 1980s, the edifice appeared complete. In a world where the most widely shared political value was the virtue of economic growth, the World Bank had emerged as the Vatican of development, an intellectual mansion forty years in the building ..., a crystal palace that beckoned to most of the earth’s still developing nations (Rich, 1994, 107).

The 1980s carried the stigma of being the lost decade for development. While certain sections of the developed world accumulated great wealth through the neoliberal revolution, the hope inspired for developing countries by the idealism of the 1970s vanished. Not only had the global economic turbulence worsened by the 1979 Oil Shock and the 1982 Debt Crisis mired many within the developing world, but also the mainstream development discourse had abandoned the social conscience and progressive rhetoric of the previous decade in favour of econometric neoliberal policy prescriptions.

The Group epitomised the neoliberal turn. Assured in its role as the leading development institution, providing financial and technical assistance and academic research, the Bretton Woods institution became what it has been ever since: a bastion of neoliberalism. Whereas Chapter Six – Transition and Governance identifies the 1990s as a time of political liberalisation, the 1980s was a decade of financial liberalisation and “getting the prices right”, with the Group positioned as an unwavering champion of free market ideals.

The idealism and Keynesian overtones of the poverty-based Group were no more. Neoliberal adjustment had become its mission. The years between the 1982 Debt Crisis and the 1991 dissolution of the Soviet Union were a decisive period. It is not hyperbole to argue that the Group would today be unrecognisable if not for the transformations it underwent during this time.

For such a brief presidency, Clausen’s legacy remains today. He prescribed structural and sectoral adjustment lending, adding nuance to the primitive tools McNamara introduced in 1980, as a means to combat the 1982 Debt Crisis (Stern, 1995, 27). Clausen regarded the rapid deterioration of the world economy as necessitating the use of interventionist adjustment measures, which led to a blurring of mandates between the Group and IMF.

Poverty was off the table. Adjustment was in. The enduring consequence of this was that it created a tension between poverty alleviation and financial stabilisation and adjustment, a friction that persists today. Intimately tied to this, and pressured by the conservative regimes leading the United States (Ronald Reagan), the United Kingdom (Margaret Thatcher), and the Federal Republic of Germany (Helmut Kohl), the Group purged the last remnants of Keynesian economics and economists. Neoliberalism was the new panacea.

Barber Conable took the mantle from Clausen in July 1986, presiding until August 1991. Moderating the neoliberal line established by his predecessor, Conable restored poverty alleviation and a social conscience to the Group’s development agenda, albeit in such a way as to make it compatible with adjustment lending. This was not McNamara’s poverty. By pairing poverty to adjustment, and by concluding that market mechanisms were the only effectual option to alleviate global poverty, Conable led the Group into the 1990s and aided in launching the turn from sustained to sustainable growth.

The Group’s technical assistance portfolio became more important than ever under Clausen and Conable, for the introduction of neoliberal adjustment into developing countries required tools to change institutions and mindsets. Soft technical assistance therefore became neoliberal-technical assistance. Attempting to project and legitimise its new market-centric common sense, software sought to convince recipients to accept and adopt the free market.

**The Lost Decade for Development**

The 13 August 1982 announcement by Mexico that it could not make its 15 August debt repayments and was in the midst of a liquidity crisis signalled the start of the 1982 Debt Crisis. Argentina, Brazil, and Chile followed with
similar announcements, and the crisis then spread beyond Latin America to East Asia and Sub-Saharan Africa. The combined debt of the developing world exceeded US$837 billion (Wood, 1984, 703; Petersmann, 1988, 39; Carmichael, 1989, 121-122; Helleiner, 1994, 175; Stewart, 1995, 2-3). The breaking point of the untenable build-up of debt since the 1973 Oil Shock, coupled with the demise of the fixed exchange rate system, petroleum price spikes, stagflation, and recessions, developing countries were now unable to continue earlier rates of borrowing. As Cheryl Payer argued, the crisis ended the global “Ponzi scheme” charade, whereby developing countries had been borrowing from creditors to pay back other creditors (1989, 8-9). The debt of Sub-Saharan Africa in 1985, as an example, was 425.5 percent of annual exports and eighty percent of total gross national product (Commonwealth Secretariat, 1989, 48-49). International banks ceased lending and stopped rolling over existing credit, leaving developing countries in limbo. Crisis and panic struck. Economies stagnated, leading to political and social unrest. As the world economy faced its most ‘depressing set of conditions ... since the 1930s’ (IFC, 1983, 13), what followed was a “lost decade for development”.

The conservative regimes leading the developed world – Reagan’s America, Thatcher’s Britain, and Kohl’s West Germany – prescribed neoliberal policies to overcome the global economic deterioration, including trade and financial liberalisation, privatisation, deregulation, government austerity, and trade unionism restraints. Underpinning the above in theory was an absolute faith in the market and consumer rationality (Mosley, Harrigan and Toye, 1991, 13). Ironically, it has been argued that these prescriptions exacerbated the severity of the crisis by undermining social welfare programs (Handelman, 2000; Babb, 2005, 200-201; Bello, 2005, 84-85; Brenner, 2006, 187-188).

Over the course of the 1980s, the United States proposed three measures to combat the global economic downturn. The first measure, presented at the time of Mexico’s default, employed the IMF as fire fighter of the world economy, spraying liquidity and austerity prescriptions (Gibbon, 1992, 197; Cohn, 2000, 180; Teichman, 2004, 42-43; Masson, 2007, 889). When this temporary measure proved ineffective, the United States turned to the Group, which Reagan had previously shunned, to assist the IMF (Payer, 1986, 658; Stern, 1995, 19). This increased its responsibilities, notably in
terms of neoliberal adjustment lending (Payer, 1986, 660; Goldman, 2005, 88). As Clausen commented in a 1984 article, developing countries could allegedly only emerge from the deluge by liberalising and expanding trade, by avoiding protectionism, and by “improving” economic policy (1984, 322).

The second measure was the Baker Plan. Announced in October 1985 at the *IMF/World Bank Annual Meeting* in Seoul, South Korea, American Secretary of the Treasury James Baker proposed this plan. Conceived to supplement the Group’s program of development assistance, the Baker Plan was a joint venture between debtor and creditor countries and financial institutions to combat the debt crisis. Intended as a long-term strategy to aid debt-laden developing countries, the Baker Plan emphasised growth, investment, and market-based instruments (Carmichael, 1989, 123; Cline, 1989, 177-178).

Nicholas Brady, who replaced Baker as Secretary of the Treasury, proposed the third measure – the Brady Plan – on 10 March 1989. In contrast to its predecessor, the Brady Plan argued that developing countries with sound adjustment policies should have access to debt-service reduction facilities. A departure from the Baker Plan, the Brady Plan called for partial debt forgiveness as determined on a case-by-case basis (Carmichael, 1989, 139; Cline, 1989, 187-198; Sachs, 1989, 92-93; van Wijnbergen, King and Portes, 1991, 17; Omotola and Saliu, 2009, 92). The IMF and the Group were called upon to support this agenda by changing the policies governing their lending operations. Importantly, and epitomising the 1980s in general, the Baker Plan and the Brady Plan were underpinned by neoliberal norms.

The synonymous prescription of neoliberal reforms during the 1980s by the United States Treasury Department, the IMF, and the Group led economist John Williamson to coin the term “the Washington Consensus” (Williamson, 1990). While initially used to describe policies prescribed for Latin America, the term came to encapsulate the neoliberal mindset of the core project and the mainstream development discourse – a global hegemonic consensus (Pereira, 1995, 226; Nagpal, 2006, 40; Marangos, 2009, 352). Regarding the world economy as fixable, the Washington Consensus promoted trade and financial liberalisation, privatisation, deregulation, and floated exchange rates; national governments were not to impede the unfettered free market
The Washington Consensus underwrote the Group’s program of development assistance throughout the 1980s and 1990s. Far more so than during the McNamara era, the not-so-invisible hand of the United States heavily influenced Clausen’s presidency.

The Presidency of Alden Winship Clausen

Clausen was not a bad president, but he was not McNamara. Constantly reminded of living in his predecessor’s shadow, Clausen was criticised for lacking the idealism McNamara embodied as “Champion of the Developing World”. Acquiring the Group in the midst of the worst global recession it had yet seen, Clausen adopted a more finance-based approach to development than McNamara had, sidelining his predecessor’s drive to alleviate poverty (ul Haq, 1982, 16; Gauhar and Clausen, 1983, 1-2; Sanford, 1989, 151; Rajagopalan, 1993, 18; Rotberg, 1994, 33; Stern, 1995, 65; Kraske, 1996, 221). If McNamara had been a beacon, Clausen was just an administrator. Importantly, if one lesson is to be drawn, Clausen established the Group as it persists today, as an institution divided between poverty and adjustment.

Although not the Washington power-player that McNamara was, Clausen’s credentials as former President of the Bank of America aided his garnering of support from the Reagan administration. This was significant because the Group had initially lost support from the American Congress and Treasury Department as conservatism swept the Reagan era. As such, Clausen had to contend with hostility from the United States, meaning that he had to “sell” the Group to Congress (Pereira, 1995, 226; Stern, 1995, 19-20; Kraske, 1996, 213; Babb, 2009, 70-71). Similar to the earliest Group Presidents, Clausen emerged from a cautious banking background. The administration of Jimmy Carter nominated Clausen in 1981 for that reason, believing that his market-centric mentality would suit the soon-to-be-elected Reagan’s neoliberal agenda (Babb, 2009, 82). As Jochen Kraske argued (1996, 222),

As an eminent commercial banker, [Clausen] would be inclined to look for solutions in market-oriented development strategies; he would feel more comfortable working with the private sector than with government
bureaucracies; he would shift the emphasis from concern about distribution back to economic growth; and ..., he would once again take his cues from the financial markets rather than from the demands of developing countries.

The *1983 Board of Governors Meetings* revealed the ideological alignment between Reagan and Clausen. As Reagan claimed (World Bank, 1983a, 2), the societies that achieved the most spectacular, broad-based economic progress in the shortest period of time have not been the biggest in size, nor the richest in resources and certainly not the most rigidly controlled. What has united them all was their belief in the magic of the marketplace. Millions of individuals making their own decisions in the marketplace will always allocate resources better than any centralised government planning process.

Clausen similarly argued that ‘protectionism spreads like a cancer, destroying the very tissues of global commerce, which for three decades have been the sustaining force of Third World development’ (World Bank, 1983a, 19). Both presidents emphasised the alleged panacea of the market, with Clausen thereby ingratiating the Group with the Reagan administration.

Facing the world economy in its worst downturn since the 1930s, Clausen regarded neoliberal adjustment as the only means to achieving economic growth. Policy-based lending replaced poverty-based lending, and neoliberal stabilisation and adjustment became fundamental to development (Clausen, 1984, 322; Gibbon, 1992, 198). Correcting an economy-in-crisis was now a precursor to growth and a means to “improving” people’s lives. In contrast, McNamara wanted to “improve” the lives of people as a means to achieving equitable growth. As noted in a 1985 interview on the need for neoliberal adjustment, Clausen bluntly said (he lacked McNamara’s *joie de vivre*) that

[You’ve] got to know where you’re bleeding before you know where to put the bandaid, or if you’re bleeding bad enough, then you can’t use a bandaid, you’ve got to use a tourniquet or, in some cases, an amputation. It’s utopian to think of adjustments without some pain, but it’s a short-term pain to take some medicine in order to have a long-term cure (Novicki, 1985, 15).
McNamara’s social conscience and concern for those suffering in poverty was lost, replaced by a certainty in trickle-down neoliberal economic reform.

Anne Krueger and the Research Program of the World Bank

Following the departure of McNamara, Hollis Chenery resigned on 31 August 1982. Replaced by Anne Krueger, the Reagan administration endorsed her appointment, again illustrating the influence of the United States (Pereira, 1995, 223; Stein, 2008, 23-24; Babb, 2009, 71). Krueger transformed the research program of the World Bank and translated it into practical policy action (Krueger, 1986, 1-2; de Vries, 1986, 12; Stern, 1995, 49-50). Under her supervision, the World Bank also established two academic journals in 1986, both of which continue to publish today: the World Bank Economic Review and the World Bank Research Observer. While Chenery had focused upon social issues, income distribution, and unemployment, Krueger turned instead towards neoliberal stabilisation and adjustment (Caufield, 1996, 114-115; Yusuf, 2009, 24-26). The mainstream discourse was changing, and the World Bank was playing a leading role in its legitimisation, making common sense of its new "truths". Clausen emphasised this during his 1983 Annual Meeting Address, describing the World Bank as a ‘knowledgeable bank’ (World Bank, 1983a, 21). Just as Chenery’s research program was state-led in rhetoric, Krueger clearly reinforced the neoliberal core project.

The World Bank began publishing research papers encouraging neoliberal policy choices, underlining the perceived importance of trade and financial liberalisation, privatisation, and deregulation – a few of the core tenets of the Washington Consensus. As illustrative examples, Peru: The Management and Sale of State-Owned Enterprises (1982), Decentralisation in Developing Countries: A Review of Recent Experience (1983), Managing State-Owned Enterprises (1983), and Managing the Public Service in Developing Countries: Issues and Prospects (1983) concluded that public sector privatisation was critical to national development (World Bank, 1982a; Ozgediz, 1983; Rondinelli, Nellis and Cheema, 1983; Shirley, 1983). Approaches and idea irreconcilable with the Keynesian preferences of Chenery were being quickly popularised under the supervision of Krueger.
Krueger supervised the publication of the *Country Economic Memorandum* and *Economic Reports*. Between 1982 and 1986, forty-eight countries received investigative missions, close to a third of the World Bank’s country membership. Each mission called for institutional strengthening conducive to market mechanisms and neoliberal stabilisation and adjustment. As an example, the *Grenadian Economic Report* (1985) listed comprehensive fiscal reform, a reduced public sector, trade and price control liberalisation, and the promotion of private investment as the main development issues facing Grenada that required “improvement” (World Bank, 1985a). Using data and statistics to assure recipients of the legitimacy of its neoliberal “truths”, the research program of the World Bank under Krueger was securely neoliberal.

**Adjusting the World Bank**

SALs and SECALs defined the World Bank under Clausen (Schultheis, 1984, 13; Mihevc, 1995, 48-50; MacLean and Shaw, 1997, 194; Ferreira and Keely, 2000, 166; Peet, 2003, 123; Stein, 2008, 25). Following the rhetoric of Ronald Reagan and Margaret Thatcher, adjustment lending became the main neoliberal vehicle of the World Bank. These tools (at least in theory) were designed to “improve” the economic position of recipients, after which time, normal project-based lending could start again (Grenfell, 1986, 19). By “correcting” their economic fundamentals, “development” could resume.

SECALs had replaced SALs as the main type of adjustment lending by 1986. Introduced in 1983, SECALs supported ‘comprehensive policy changes and institutional reforms in a specific sector’ (World Bank, 1985b, 10). Designed as a more nuanced tool than SALs, SECALs totalled nearly eighty percent of adjustment lending in 1987 (Helleiner, 1986, 49; Paul, 1987, 4; Paul, 1990, 1). Despite their differences, both SALs and SECALs pursued similar means to achieve the same ends: the acceptance and adoption of the Washington Consensus by developing countries. Latin America was the testing ground for these neoliberal reforms, with a third of World Bank commitments to the region in 1986 being adjustment loans (Laurell, 2000, 306). Sub-Saharan Africa followed, with two-thirds of low-income countries in the region having received adjustment loans by late 1989 (Helleiner, 1986; Anyaoku, 1989).
Adjustment lending, while initially considered by many commentators to be necessary, came under increasing opposition by the end of the Clausen era. Numerous criticisms emerged condemning SALs and SECALs as improperly prescribing one-size-fits-all policies, as a form of colonialism, as inequitable, and as placing free market ideals above social protection (Mosley, Harrian and Toye, 1991, 51-52; Summers and Pritchett, 1993, 383; Holland, 1994, 121; James, 1996, 327; Nelson, 1997, 468; Barnett and Finnemore, 1999, 712). In addition, as Sheldon Annis argued, the World Bank was ‘moving away from what it could do relatively well – investing in the poor – toward the far more problematic role of managing the world economy’ (1986, 37).

In the end, the primary criticism was that the most vulnerable in developing countries were suffering greatly at the expense of neoliberal adjustment. Opponents argued that adjustment measures forgot that there were people involved, people suffering, and people who bore the brunt of change. As Catherine Caufield argued, ‘in the beginning, the Bank gave little thought to how adjustment programs would affect ordinary people, other than to assume that everyone would benefit from an improved economy. But the sorts of economic changes called for in World Bank adjustment programs can make life harder for a good part of the population’ (1996, 160). While poverty-based lending received criticism, particularly in regards to its limited achievements, SALs and SECALs received far greater condemnation for the simple reason that adjustment lending lacked a “human face”. With the discarding of McNamara’s social conscience, Clausen was charged with the criticism that adjustment had become a punishment for the poor, since austerity measures undermined social services, and trade liberalisation had exposed fragile economies to the turbulence of the unforgiving free market.

Softening the World Bank

The introduction of adjustment lending secured the turn towards software in the World Bank, as the implementation of neoliberal prescriptions required mechanisms capable of ensuring policy change. Soft technical assistance thus guided institution and capacity building, human resource development, macroeconomic management, legislative reform, and the neoliberal revision of development strategies. While hardware remained as surveys, studies,
and project preparation support for agriculture, industry, and infrastructure, there was an incredible shift towards software. By 1990, soft technical assistance comprised seventy percent of its portfolio (Wallace, 1990, 27).

Used as a mechanism to support adjustment lending, technical assistance increased the likelihood of successful program implementation, and thus the acceptance and adoption of neoliberal norms. Since SALs and SECALs were concerned with financial reform, the World Bank concluded that it was important for public sector institutions to accept a market-centric mentality. During the 1980s, institution building involved the strengthening of financial and personnel management systems, inter-institutional relationships (i.e., between the Ministries of Trade and Commerce), organisational structures, legislative frameworks, and regulations and procedures (Paul, 1990; Buyck, 1991). Software quickly became the lynchpin in improving the chances for the successful adoption of neoliberal stabilisation and adjustment measures. Yet, the significance of software lay not only in improved success rates, but also in its implicit legitimisation of the neoliberal development discourse by establishing structures and by persuading changes in government mindsets.

While SALs and SECALs were characterised by “policy conditionality” (or the provision of finance contingent upon the performance of prescribed actions), soft technical assistance was defined by “policy dialogue” (or an intellectual exchange between the World Bank and its developing member countries). The latter was arguably a more inclusive and empowering relationship, for whereas conditionality led to coerced outcomes, dialogue instead persuaded the legitimacy of particular ideas (Cassen, 1994, 58). Despite the rhetoric, the World Bank remained in a superior position to determine the contents of the dialogue. By determining its contents, the World Bank could decide what elements were significant to the “improvement” of its member countries. Policy dialogue epitomised Susan Strange’s conceptualisation of knowledge as a form of structural power, or the ability of the knowledge possessor to construct, disseminate, and store knowledge in such a way as to control what is to be believed and what is not (Strange, 1988, 24-35 and 119-122).

Technical assistance components consequently increased in volume. From sixty-four percent of World Bank loans and credits containing components in
1974, this figure had risen to ninety percent by 1983 (World Bank, 1974b, 58; World Bank, 1983b, 48). Technical assistance components maintained a level in excess of one billion dollars each year during the Clausen presidency (World Bank, 1982b, 44; World Bank, 1984b, 64; World Bank, 1985b, 70). Software had become the principal type of World Bank technical assistance:

The purpose of such technical assistance is both technical and policy oriented. In the technical domain, it may be called upon to provide advice on the reform of government machinery, address civil service salary scales, or introduce computer technology into national tax or customs agencies. On the policy side, it may provide advice to governments on a range of national policies in such areas as economic restructuring, education, environment, industrial protection, and privatisation. These are areas on which national consensus is not always present. As a result, the management and implementation of technical assistance for institutional development are far more problematic than of technical assistance associated with physical investment (“hard” technical assistance) (World Bank, 1992d, 92-93).

The importance of soft technical assistance was its focus on institution development, which Arturo Israel and Beatrice Buyck separately defined as the “improving” of public sector institutions to utilise human and financial resources more effectively and efficiently (Israel, 1987, 1; Buyck, 1991, 5). Geoffrey Lamb similarly argued in the World Bank working paper Managing Economic Policy Change: Institutional Dimensions (1987) that software was best employed in situations strengthening economic policy management and should be used to ‘institutionalise national expertise’ (Lamb, 1987, ix). As per its definition therefore, software provided as institution development inherently leads to a level of intrusion far beyond hard technical assistance, by altering the institutional structure of entire economies. During the 1980s, this meant a shift towards neoliberalism via “unbiased” technocratic means.

In illustration, the World Bank discussion paper Institutional Development and Technical Assistance in Macroeconomic Policy Formulation: A Case Study of Togo (1987) detailed the role soft technical assistance could play in constructing, projecting, and legitimising the neoliberal core project. The paper regarded software as a catalyst to macroeconomic policy formulation, arguing that it internalises specific analytical capabilities and management
techniques, to the conclusion that it ‘crystallises thinking’ on approaches to resolving problems (Kjellstrom and d’Almeida, 1987, 36). Software makes it possible for particular market-based understandings and approaches to be internalised in developing countries via the building of institutional capacity.

The World Bank used TALs to build institutional capacity during the 1980s. In 1985, it revised its definition of TALs, a consequence resulting from the expanded importance of software. As delineated in the World Bank Annual Report 1985 (World Bank, 1985b, 51), the amended purpose of TALs was to strengthen local institutions concerned with (i) designing and adopting policies, strategies, and institutional approaches promoting further development in a sector or in the economy as a whole, or (ii) preparing, implementing, or operating specific investments, or to carry out ... tasks related to the preparation, implementation, or operation of investments.

While hard technical assistance remained as project preparation support, soft technical assistance had become comparatively more sophisticated and entrenched in the rubric of development services offered by the World Bank.

TALs were instrumental in supporting SALs and SECALs, primarily through the building of institutional capacity. The mainstay of TALs provided during this time were to support either financial adjustment or institution building. To illustrate, the World Bank approved thirty TALs totalling US$247 million in 1984 and 1985. Of these loans, eight supported SALs and nineteen aided institution development (World Bank, 1984b, 64; World Bank, 1985b, 70).

Under Clausen, Malawi, Mauritius, Niger, and Togo all received SALs, which targeted budgetary reform, trade liberalisation, and privatisation (Malawi, 1983a; Mauritius, 1983a; Niger, 1986; Togo, 1983). Complementing their loans, these countries also received TALs (Malawi, 1983b; Mauritius, 1983b; Togo, 1985; Niger, 1987). Labelled “Public Sector Management Adjustment” projects, the TALs were designed to help recipient governments implement their structural adjustment programs by attracting foreign investment, increasing public sector efficiency, strengthening economic and financial planning institutions, training personnel, and abolishing labour market regulations. Unlike SAL conditions, the TALs guided institution and human
resource development, meaning that they attempted to reorient the focus of the recipient governments along market-friendly lines - not by coercion but by persuasive cooperation - to ensure their successful neoliberal adaptation.

SECALS similarly received significant support from soft technical assistance components and companion TALs. Given that SECALS overtook SALs during the later Clausen years, it is not surprising that technical assistance steadily became more important to sectoral adjustment. For example, in an analysis of fifty-five SECALS approved prior to 1987, Samuel Paul noted the primacy of soft technical assistance in forty-seven of them (1987, 29-30). In Sub-Saharan Africa, several SECALS approved under Clausen illustrated the importance of technical assistance components, be they employed as country surveys or as mechanisms for institution development. This was the case in Sudan (1983), Uganda (1983), Zimbabwe (1983), Zambia (1985), and Madagascar (1985). These projects contained provisions to support the recruitment of consultants to train government officials to implement and monitor stabilisation, adjustment, and liberalisation measures. Similar to SALs, the SECAL technical assistance components diffused neoliberal norms.

Beyond TALs complementing structural and sectoral adjustment loans and credits, the World Bank provided stand-alone technical assistance projects:

- Congo, Republic of (1983) *Technical Assistance Project*: designed to strengthen the government’s institutional capacity to manage public finance, which involved short-term financial adjustment measures;
- Senegal (1983) *Parapublic Technical Assistance Project (02)*: designed to reduce the public sector deficit and increase public sector efficiency through training, consultants, and financial sector studies;
- Benin (1984) *Technical Assistance for Planning and Economic Management Project*: designed to reinforce the government’s capacity for economic planning and management through training;
- Ethiopia (1984) *Technical Assistance Project*: designed to strengthen the government’s macroeconomic management capacity and its ability to devise medium- and long-term macroeconomic frameworks;
- Guinea-Bissau (1984) *Technical Assistance Project (01)*: designed to improve the macroeconomic capacity of key economic ministries and
their operational and institutional abilities, as well as improving the national implementation of stabilisation and adjustment measures;

- **Argentina (1986) Public Sector Management Technical Assistance Project:** designed to strengthen the Ministry of Economy, improve macroeconomic analysis, develop training programs, improve tax policies and customs systems, and increase export competitiveness;
- **Brazil (1986) Public Sector Management Adjustment Project:** designed to strengthen public sector management, develop public information systems, and improve government asset control; and,
- **Zambia (1986) Technical Assistance Project (02):** designed to address institutional weaknesses in the government’s capacity to manage its national economy, provide incentives to export production, amend the exchange rate to make exports competitive, use tariffs to ease import dependence, and liberalise foreign trade.

These stand-alone technical assistance projects were a complete departure from the hardware-oriented eras of the 1950s and 1960s. The projects provided software to strengthen institutions, develop personnel skills, and build capacity, all to ensure recipient acceptance and adoption of neoliberal macroeconomic adjustment measures and public sector reform. Despite the importance of these projects, not one from the above list was graded “satisfactory” by the World Bank’s Operations Evaluation Department (the OED), an impartial body created by McNamara to assess lending operations.

Stand-alone projects suffered poor implementation success rates during the 1980s. Several reasons for this exist, but all inevitably relate to the simple fact that it is difficult to achieve and quantify successful institutional growth. To illustrate, the OED published *Free-Standing Technical Assistance for Institutional Development in Sub-Saharan Africa* (1990). In this report, the OED concluded that the main reasons for the poor implementation results in the building and strengthening of national institutions included (OED, 1990):

- Poorly conceived institutional development strategies;
- Poorly designed technical assistance projects;
- Projects failed to appreciate limited absorptive capacity of recipients;
- Project objectives were unclear and vague in project documents;
• Project supervision was inadequate;
• Consultant performance was uneven; and,
• Training programs were poorly designed.

The OED additionally concluded in the same report (OED, 1990, 3) that the practice of linking technical assistance (TA) with adjustment loans does not necessarily serve the long-term goals of institutional development. First, the design of the TA project often suffers because of the rush to get the structural or sectoral adjustment operation to the Board for approval. Second, the borrower may accept the TA because the country needs the resources of the adjustment loan, yet ... prove reluctant to implement the institutional reforms to be developed by the TA operation. Experience shows that TA is not ... an effective way of ensuring the progress of adjustment.

Poor implementation results do not however weaken the argument of this thesis. Despite success rate problems, soft technical assistance nevertheless transfers ideas, knowledge, practices, technologies, and skills. The inherent quality of technical assistance is its ability to convince recipients to accept and adopt particular development “truths”. A project can fail to achieve its objectives, but new understandings and practices can still be transferred. Technical assistance is not contingent upon success rates, but rather its implied scientific, objective, and value-neutral nature persuading recipients.

From Hardware to Software

In addition to the provision of software to support structural and sectoral adjustment lending, the Group delivered its technical assistance portfolio via the courses of the EDI, reimbursable technical assistance, the advances of the PPF and the SPPF, and UNDP-financed projects. Although neoliberal, these services were minor compared to technical assistance for adjustment.

The courses of the EDI evolved alongside the changing research program of the World Bank. With its main function being the training of country officials to manage and direct their own development programs, the curriculum of the EDI grew to reflect the neoliberal core project: debt and adjustment, capital markets development, macroeconomic management, public sector
management, public expenditure planning, private sector development, and policy-related training and institution building (World Bank, 1984b, 52-55).

While the Clausen era began with “Project Analysis and Management” as the main course of the EDI, “Economic and Sector Management” had replaced it by the mid 1980s. At the same time, the annual number of participants and courses doubled to 3,300 participants and 105 courses in 1986 (World Bank, 1987a, 58-59; World Bank, 1988, 72). This meant that while the EDI was becoming more aligned to the dissemination of neoliberal ideas, it was also able to engage with a progressively larger audience. The potential scope of its influence and new neoliberal message was steadily increasing.

Petroleum exporting member countries continued to receive reimbursable technical assistance, with Saudi Arabia remaining its largest recipient. Yet, despite the staff-years involved, this service comprised an incredibly small percentage of overall Group technical assistance (World Bank, 1982b, 45; United Nations, 1983, 1258; World Bank, 1984b, 65; World Bank, 1985b, 71). As such, although being software-oriented and addressing neoliberal reform, there is very little to discuss on reimbursable technical assistance.

The PPF continued to deliver project preparation and institution building advances, a total of US$152.2 million through forty-five advances per year between 1982 and 1986 (World Bank, 1983b, 48; World Bank, 1986, 68). The only notable development was the creation of the SPPF in 1985, which extended the reach of the PPF. The SPPF provided exclusive assistance to IDA-eligible Sub-Saharan African countries, with its funds disbursed on a longer-term reimbursement basis. Under Clausen, the SPPF made modest annual advances – thirty-two in 1985 and in 1986 (World Bank, 1986, 68).

Lastly, the World Bank continued to operate as executing agency for stand-alone technical assistance projects financed by the UNDP. The Clausen era approved 204 projects at a cost of US$154 million (World Bank, 1983b, 48; World Bank, 1984b, 64; World Bank, 1986, 68). The IFC also strengthened its institutional association with the UNDP, with it establishing a cooperative program in 1985 purposed to finance feasibility studies for future investment projects (IFC, 1985, 32-33). Interestingly, the Group was not
alone in its shift towards software and neoliberalism. The United Nations Trade and Development Board’s “Review of Protectionism and Structural Adjustment” in the 1985 *Yearbook of the United Nations* ‘recommended that further efforts should be taken to liberalise the international trading system’ (United Nations, 1985, 551). Put simply, the Bretton Woods institution was not alone in promoting the neoliberal “truths” of the mainstream discourse.

The main objective of technical assistance under Clausen was to guide the acceptance and adoption of neoliberal adjustment measures. The courses of the EDI, reimbursable technical assistance, the PPF and SPPF, and UNDP-financed projects collectively contributed to the construction of a consistent message reinforcing the legitimacy of the incumbent neoliberal core project, persuading recipients of its “truth” through institution building, the funding of studies, and the delivery of both academic and practical training courses. Technical assistance built support structures in recipients for them to accept and adopt the neoliberal “improvements” needed to achieve “development”.

The Private Sector Arm of the World Bank Group

Celebrating its thirtieth anniversary in 1986, the IFC remained focused on the provision of soft technical assistance. Although hardware remained, it increasingly provided software, notably corporate and financial restructuring and private investment stimulation. The 1982 Debt Crisis was an important catalyst encouraging this increase, given the significant decline in private investment to many developing regions. As part of the Group’s private sector arm, the IFC maintained the claimed necessity of market-led growth.

IFC investments expanded substantially under Clausen, effectively doubling in order to complement the turn of the World Bank to neoliberal stabilisation and adjustment. As Devesh Kapur, John P. Lewis, and Richard Webb noted, to ‘achieve greater cooperation between the two institutions, the IFC was to become a contributor and participant in the Bank’s country strategy process with regard to private sector development’ (1997b, 891). In just four years, the IFC grew from providing US$612 million to thirty-one countries through sixty-five investments in 1982 to US$1,156 million to thirty-nine countries through eighty-five investments in 1986 (IFC, 1982, 4; IFC, 1986, 6). As
the private sector and the free market became more central to the mainstream discourse, so did the IFC to the activities of the World Bank. The introduction of the neoliberal core project increased the role of the IFC.

The privatisation of state-owned enterprises spearheaded the technical and advisory services of the consecutive executive vice presidencies of Hans A. Wuttke and William S. Ryrie, the basic logic of which concerned maximising the benefits of private investment. Emphasising its absolute faith in the free market, the IFC prescribed reforms similar to adjustment loans: a reduction of price controls, market-set exchange rates, trade liberalisation, interest rate liberalisation, and private sector growth (IFC, 1987, 9). Rather than pursuing an economy-wide neoliberal reorientation however, these reforms focused on expanding the role of the private sector in developing countries.

Just like the World Bank, the IFC divided its technical assistance portfolio into several branches. Between 1982 and 1986, the IFC provided technical assistance as investment components and stand-alone projects, the work of the Capital Markets Department, and the niche policy support of the FIAS.

The IFC provided technical assistance foremost as investment components and stand-alone projects. During the early 1980s, it deliberately expanded its advisory program, becoming ‘an investment bank with a development purpose’ (IFC, 1986, 4). Given its mandate, it was primarily concerned with stimulating private capital flows and improving the productivity of private enterprises. Its portfolio covered ‘a wide spectrum of capabilities, including investment promotion, technology assessments and process improvements, project appraisals, market evaluations, management audits, financial restructuring, and the formulation of corporate, sector, and economic strategies’ (IFC, 1985, 33). Policy-related technical assistance expanded, with privatisation, investment legislation, and policy studies conducted in Peru, Guyana, and Turkey. At the same time, the annual number of stand-alone projects rose, from thirty in 1983 to eighty in 1984 (IFC, 1984, 10).

The Capital Markets Department reinforced the IFC’s market-based faith by delivering technical and advisory services informing ‘governments on how to establish fiscal, legal, and regulatory frameworks that will support market-
oriented financial sector development’ (IFC, 1988, 37). Neoliberalism was being writ large, with the IFC projecting and legitimising its policy adoption.

The IFC established the FIAS in 1986. Later a joint venture between the IFC and the MIGA (itself launched in 1988), FIAS technical assistance targeted the coordination, administration, and content of FDI. This included the provision of policy options and programs, institutional restructuring, and regulatory liberalisation to make economies appear more attractive to direct investment (MIGA, 1990, 16-17; MIGA, 1991, 21-22). The IFC Annual Report 1986 (IFC, 1986, 37-38) listed the five priority issues of the FIAS as:

- Formulating policy frameworks to promote and regulate FDI;
- Promoting institutional arrangements to screen and monitor FDI;
- Establishing policies to direct FDI into specific priority industries;
- Devising foreign investment promotion strategies; and,
- Developing policies to govern technology transfer.

The private sector arm of the World Bank Group reinforced the neoliberal approach to development assistance of the World Bank by providing soft technical assistance as policy support, administrative reform, and institution building to convince recipients of the necessity of private sector-led growth.

The Presidency of Barber Conable

The arrival of Barber Conable in July 1986 as the seventh Group President signalled yet another shift in its understandings of development assistance. This paralleled new opinions as to the bearing of the mainstream discourse. While not abandoning Clausen’s neoliberal adjustment obsession, Conable sought to amalgamate those foundations with the issues of environmental sustainability, gender, and (most controversially) poverty (Hall, 2007, 155). Pursuing an augmented neoliberal mindset, the Group began demonstrating renewed interested in a selective role for state intervention in development. These changes arose in part because of the negative human consequences caused by structural adjustment, with Conable seeking to balance neoliberal adjustment with a diluted version of Robert McNamara’s social conscience.
A former Republican Congressman (and thus a candidate suitable for the Reagan administration), Conable was without Wall Street experience and ‘knew nothing about the World Bank’ (Kraske, 1996, 248). Yet he arrived with the talents of a politician, namely the innate ability to compromise. As Ibrahim Shihata argued, ‘Conable was a politician. He could get things done as a politician, but he would also sometimes accept compromises, even if they were not the best thing for the Bank’ (1994, 39-40). Former Canadian Executive Director Frank Potter echoed this sentiment, recalling the Conable ‘was raised on notions of comprise and accommodation. He thought that getting along with people was important, and he was good at it ... [He] was also a person who also had a ... clear, genuine personal commitment to things that are important to the Bank – women ..., poverty ..., and other social issues’ (1993, 17). While not a Wall Street banker, Conable held an image of the Group’s future and was prepared to compromise to achieve it.

While comparatively more progressive than his predecessor, Conable was highly criticised by staff members for a 1987 reorganisation of the World Bank. This was an endeavour to streamline (reduce budget expenditures), restructure (reduce personnel), and redefine the institutional design of the World Bank. In essence, it was “austerity” reorganisation (George and Sabelli, 1994, 190; Kraske, 1996, 242; Phillips, 2009, 46-47). By making it streamlined, cost-effective, and efficient, Conable envisioned the World Bank as less bureaucratic and fast reacting, being better equipped to handle the modern (read: neoliberal) complexities of economic development. As Edward Jaycox (1995, 1), a leading architect of the reorganisation, argued

By the time we got to the Eighties, a reorganisation was overdue and most people felt that was the case ... [Lending] had become not very creative and very costly. Although there was a lot of process innovation that was attempted..., we found the cost of doing business was going up very rapidly.

Severe condemnation of the reorganisation emerged from contemporaries of Conable and Jaycox, with the allegation that it undermined the functional stability of Group operations (Phillips, 2009, 48). In later interviews, Ernest Stern, Visvanathan Rajagopalan, and Willi Wapenhans – all of whom worked for the World Bank during the reorganisation, voiced their hostility, rebuking it as ‘not thought through’ (Stern, 1995, 6), as ‘one of the worst things to
befall this institution since its inception’ (Rajagopalan, 1993, 16), and as ‘a traumatic experience’ (Wapenhans, 1993, 66). In addition, Robert Picciotto remarked that the reorganisation was a type of ‘structural adjustment’, or a harsh overhaul of the World Bank intended to lead to its improved operation (2000, 10). In contrast to the arguments of Conable and Jaycox, the above staffers concluded that the reorganisation undermined the Group through the dismissal of hundreds of talented staff members. The point being, while the Group was suffering international outcry over the negative impact of neoliberal adjustment, the reorganisation seriously depressed staff morale.

**Adjustment with a Human Face**

Adjustment lending had polarised the development community by the mid 1980s. While its proponents praised its potential long-term benefits, many more condemned its short-term impact. The central criticism was simple: the negative social costs of stabilisation and adjustment were outweighing the alleged benefits derived from currency devaluations, high interest rates, and reduced social safety nets (Logan and Mengisteab, 1993, 1; Summers and Pritchett, 1993, 388); the free market was not delivering social equity. And so, after half a decade of ‘argument and persuasion’ by the United Nations Children’s Fund (UNICEF), the International Labour Organisation, and other agencies, the Group had finally realised that adjustment lending was worsening poverty in many developing countries (Gibbon, 1992). This fact became the basis of UNICEF’s *Adjustment with a Human Face* (1987), which ‘raised the development community’s consciousness about the need to cushion the poor from the fiscal cutbacks under adjustment’ (Zuckerman, 1991, 247). The rhetoric of the mainstream discourse had begun to change.

In acknowledgement of the social costs of neoliberal adjustment, Conable oversaw the restoration of poverty alleviation to the mission of the Group, echoing the need to take into consideration the human face of adjustment. Yet, this rededication simply meant the coupling of poverty to neoliberalism. Conable consistently argued that only by integrating the two together could ‘sustained growth’ occur (1988, 754-755). Maintained levels of stable economic growth once again required protection for the poor within society.
Conable attempted to amalgamate the agendas of McNamara and Clausen. Poverty alleviation became the companion of neoliberal adjustment, and vice versa. As Conable remarked during his 1990 Annual Meeting Address, ‘economic growth is the cornerstone of successful development and poverty reduction … The precondition for restoring growth in many countries is structural adjustment’ (World Bank, 1990a, 15). This was not what McNamara envisioned as the pursuit of rural and urban poverty alleviation.

With larger emphasis placed upon poverty alleviation, and given the severe criticisms facing structural and sectoral adjustment lending, so returned a limited role for state intervention. In the World Development Report 1991: The Challenges of Development, the Group was unequivocal in stating that ‘governments need to do less in those areas where markets work, or can be made to work, reasonably well … At the same time, governments need to do more in those areas where markets alone cannot be relied upon’ (World Bank, 1991d, 9). This market-friendly view of the state was a departure from the Clausen years (Sandbrook, 1995, 281), one that expanded much further during the presidencies of Lewis Preston and James D. Wolfensohn.

Good governance became the label of this market-friendly view of the state. In March 1991, the World Bank published Governance: Experience in Latin America and the Caribbean (World Bank, 1991a). This paper underlined the importance of the state by arguing that political liberalisation was as vital to becoming “developed” as financial liberalisation. Government accountability, transparency, and efficiency became oft repeated terms. At a time when the Soviet Union was nearing collapse, the Group began to prescribe political reforms, a revival of the modernisation faith that it was vital for developing countries to adopt the political institutions and structures of the developed.

Despite advocating good governance, the Group had not changed its stance on market-led development. Privatisation and the private sector remained the most efficient means to achieving economic growth (Fried, 1988, 38; Cramer, 2001, 79-80). Policy-based lending continued to be indispensable, with SALs and SECALs accounting for eleven percent of World Bank lending, prescribing deregulation and trade liberalisation (World Bank, 1989, 78-79).
The following three SALs sought to amalgamate poverty with adjustment:

- The Chilean *Structural Adjustment Loan Project (02) (1986)* sought to accelerate export potential through financial rehabilitation, while establishing a social program to maintain employment opportunities;
- The Venezuelan *Structural Adjustment Loan Project* (1989) attempted to guide basic changes in the country’s macroeconomic framework and management, while laying the groundwork for a well-targeted and efficient social program of poverty alleviation; and,
- The Algerian *Economic Reform Support Loan Project* (1989) tried to maintain internal and external financial equilibrium, while attempting to offer social protection to the most vulnerable sections of society.

SECALs were far less poverty-oriented than SALs, evoking the Clausen era:

- The Jamaican *Trade & Financial Sector Adjustment Loan Project* (1987) was designed to eliminate trade regime distortions, liberalise barriers to equity investments, and improve market engagement;
- The Bolivian *Financial Sector Adjustment Credit Project* (1988) was framed to raise confidence in the banking system, pursue financial adjustment, and continue the market setting of interest rates; and,
- The Kenyan *Financial Sector Adjustment Credit Project* (1989) was devised to guide policy reforms (interest rate liberalisation, fiscal deficit reduction, and banking legislation revision) and institutional reforms (bank restructuring and aid capitalisation to financial bodies).

The tension between adjustment and poverty thus strained the World Bank, with it attempting to liberalise economies further, while protecting the poor.

**From Sustained Growth to Sustainable Development**

Pairing poverty to adjustment was a means to achieving sustained growth. Following the *1987 World Commission on Environment and Development* (commonly known as the Brundtland Commission) however, debate turned to sustainable development. As argued in *Our Common Future* (1986) – the report published by the commission, ‘Humanity has the ability to make
development sustainable, to ensure that it meets the needs of the present, without compromising the ability of future generations to meet their own needs’ (World Commission on Environment and Development, 1987, 8-9).

The Brundtland Commission, named for its Chair – Gro Harlem Brundtland, was convened in 1983 following a determination by the United Nations General Assembly that environmental problems were a major impediment to (and often the result of) economic growth. The Group eagerly adopted its conclusions in rhetoric (although not as quickly in practice), becoming a defining trait of the Conable years (Goodland, 1990, 155; Rich, 1990, 306).

Similar to the return of poverty alleviation and good governance however, the approach of the Group to sustainable development was unmistakably neoliberal. Michael Goldman argued that this “green neoliberal revolution” ‘altered the defining features of the Bank’s neoliberal agenda by adding as a goal the restructuring and capitalisation of nature-society relations that exist as uncommodified or underutilised by capital markets’ (2005, 7). Poverty alleviation, good governance, and sustainable development did little to alter the neoliberal agenda, as clearly seen in Group technical assistance.

**Technical Assistance under Conable**

Conable maintained the technical assistance status quo that was established under Clausen. While new emphasis was placed upon the “urgent attention areas” of agriculture, food, and population planning – a throwback to the McNamara years (World Bank, 1989), the mainstay of World Bank technical assistance was synonymous with the Clausen era. Pursuant to its neoliberal mindset, a large percentage of technical assistance supported divestiture, the monitoring of privatisation procedures, and the construction of legislative and institutional frameworks to restructure (read: privatise) financial intermediaries (Kikeri, 1990, 20; World Bank, 1990b, 69; Shihata, 1991, 223; World Bank, 1991b, 34-35). This included the use of consultants chosen by World Bank staffers, employed to assist institution building and human development in projects and programs designed and authorised by the World Bank (OED, 1990 5; Kirmani and Baum, 1991, 46).
One distinction did however emerge in regards to the ‘increasing recognition that sustainable economic development cannot take place – and proper economies policies cannot be carried out – if the national institutions and economic management are inadequate to the tasks’ (Wallace, 1990, 26). While Clausen was more concerned with “correcting” economic imbalances, Conable-era technical assistance appreciated more the state/market divide.

World Bank technical assistance components saw a sudden increase, rising from US$1.1 billion in 1987 to US$1.8 billion in 1991 (World Bank, 1991c, 93-94). This provides an indication of its growing importance. Similarly, the World Bank continued to provide TALs, though they comprised only a small portion of overall financial expenditures: US$203 million in 1990, compared to US$4 billion in adjustment loans and US$14.2 billion in investment loans.

The following paragraphs contain illustrative examples of World Bank TALs committed between 1987 and 1991, all of which reveal the “augmented” neoliberal discourse: macroeconomic stabilisation and adjustment melded with good governance, environmental sustainability, and poverty alleviation.

In 1987, Ghana, Uruguay, and Zaire received TALs supporting adjustment loans, while Bolivia, Burundi, the Congo, Haiti, Pakistan, the Philippines, Rwanda, and Sudan received TALs restructuring their public sectors (World Bank, 1987a, 132-133). The Ghanaian, Uruguayan, and Zairian TALs aided the strengthening of core ministries, increased public sector productivity by improving civil service management and retrenching surplus staff, revised import tariffs and policies, and rationalised taxation systems (Ghana, 1987; Uruguay, 1987; Zaire, 1987). The Congolese, Haitian, and Pakistani TALs similarly concerned public sector restructuring along neoliberal lines (Congo, 1987; Haiti, 1987; Pakistan, 1987). The Congolese TAL offered training to the main agencies involved in privatising the public sector, the Haitian TAL attempted to strengthen the government’s capacity to conduct its economic recovery program and to facilitate the adoption of market-friendly trade reforms, and the Pakistani TAL financed studies, consultants, and training to build institutional capacity for the design and implementation of neoliberal reforms. The above TALs were synonymous with those of the Clausen era.
In 1988, Guinea-Bissau, Mali, and Niger received TALs linked to adjustment loans, while Ghana, Guinea, Madagascar, and Mauritania received public sector and financial management TALs (World Bank, 1988, 144-145). The Malian TAL promoted a greater reliance on market forces through regulation and competition policy reform, public sector restructuring and privatisation, and administrative reform (Mali, 1988). The Guinean, Madagascan, and Ugandan TALs were similar. Through institution development, personnel training, and legislative review, they supported rapid economic recovery and public sector reform (Guinea, 1988; Madagascar, 1988; Uganda, 1988).

In 1989, Argentina and the Central African Republic received TALs alongside SALs, while Bolivia, Kenya, Malawi, Uganda, and Zaire received TALs for financial sector reform (World Bank, 1989, 152-153). The Kenyan TAL was illustrative of the approach taken by the IDA to debt and macroeconomic management, the creation of legal institutions for a market economy, and regulatory reform. In addition to providing consultation to key ministries, it conducted training courses. These included technical, general, and academic courses delivered to staff less experienced in administrative procedures. The purpose of the Kenyan TAL was to open the economy further to market forces via the reform and restructuring of the public sector (Kenya, 1989b).

In 1990, Cameroon, Gabon, Guyana, and Trinidad and Tobago received adjustment TALs, while Algeria, Kenya, and Venezuela received stand-alone projects addressing economic and public sector reform and privatisation (World Bank, 1990, 150). The Algerian Technical Assistance Project (1990) focused upon regulation and competition policy reform and international financial standards and systems by providing training, managerial support, and institution strengthening. Its purpose was to improve budgetary and monetary policies and achieve price and trade liberalisation (Algeria, 1990).

In 1991, Argentina, Bolivia, Bulgaria, Ghana, Jamaica, and Romania each received TALs addressing the combined issues of privatisation and financial stabilisation and adjustment (World Bank, 1991c, 155-156). In contrast to the projects in the above paragraphs however, these TALs focused more strongly upon social service delivery and social protection initiatives. As an example, the Bulgarian TAL combined structural adjustment and poverty
alleviation measures, assisting competition policy reform, privatisation, the development of labour markets, and the strengthening of social safety nets. The purpose of the TAL was thus to improve institutional capabilities and align the domestic economy towards the private sector, while protecting the poor through the “modernisation” of social security, welfare, health, and education services (Bulgaria, 1991). The Bulgarian TAL illustrated the focus of the World Bank on pairing adjustment to poverty during the early 1990s.

The common characteristic linking the above World Bank TALs provided between 1987 and 1991 was their purpose to convince recipients to accept and adopt the neoliberal core project. By developing institutions, by revising legislation, by reforming policy, by privatising the “inefficient” public sector, and by training personnel, the World Bank was attempting to restructure its member countries in such a way as to embed enduring neoliberal norms, which would reinforce the supposed legitimacy of its market-based “truths”. By restructuring political and economic apparatuses along neoliberal lines, the odds of accepting a non-neoliberal alternative arguably become unlikely.

Beyond TALs, the courses of the EDI also remained neoliberal, with financial adjustment, debt rescheduling, and trade liberalisation becoming the main “buzz words” of the late 1980s. Extending the scope of its training courses, the emphasis clearly lay on macroeconomic management. As examples, the EDI launched one-week policy seminars on the macroeconomic problems of development, commenced workshops and roundtables evaluating the actual and potential benefits of decentralisation, and doubled the annual number of training-the-trainers, sector, and economic management seminars (World Bank, 1987a, 57; World Bank, 1988, 73; World Bank, 1989, 91). Just as the technical assistance portfolio of the World Bank reinforced neoliberal policy-based lending, the courses of the EDI emphasised neoliberal policy reform.

Yet, over the course of the Conable presidency, the EDI grew to appreciate the alleged importance of social welfare and poverty alleviation measures. Following broader changes within the Group, the EDI began to deliver senior policy seminars on the social impact of adjustment, health sector reform, ecosystem management, and the role of women in development (World Bank, 1988, 73-74; World Bank, 1989, 92). By 1991, the EDI was dividing
its training courses between macroeconomic management, public sector management, and poverty reduction effectiveness (World Bank, 1991c, 89).

As an important side note, technical assistance came under intense scrutiny during the late 1980s due to consistently poor success rates. Adjustment loans, as similarly themed yet far more controversial forms of development assistance, did not receive the same degree of published internal criticism.

Responding to the calls of donors and recipients, the World Bank undertook a review of its technical assistance portfolio in mid 1988. A more exhaustive review began later in 1991, with the Technical Assistance Review Task Force (whose definition of technical assistance underpins this thesis) established to evaluate the role and performance of technical assistance. The 1988 and 1991 reviews both regarded software as inherently incapable of consistently achieving high success rates. At the same time, Beatrice Buyck completed an internal audit and published The Bank’s Use of Technical Assistance for Institutional Development (1991). Analysing TALs throughout the 1980s, Buyck criticised software as lacking pragmatism and adaptability, which damaged the efficacy of World Bank technical assistance (Buyck, 1991, 21).

The Private Sector Arm of the World Bank Group

Beyond the stabilisation and adjustment measures of the World Bank, the private sector arm of the Group – the IFC, MIGA, and FIAS – engaged with private enterprises and private investment. The IFC remained the leader, with substantial support from the MIGA – the fifth and most recent affiliate, established in 1988 – and the FIAS. Together, the private sector arm extended the capacity of the Group to disseminate and promote free market ideals, particularly through their interlinked technical assistance portfolios.

The IFC maintained its support for private sector-led growth. Turning to its annual financial commitments, these gradually increased during the Conable presidency, from ninety-two investments totalling US$920 million in 1987 to US$1.5 billion committed through one hundred and fifty-two investments in 1991 (IFC, 1991, 3). More revealingly, and in line with the entrenchment of neoliberalism, the IFC guided the privatisation and corporate restructuring
of public enterprises, a natural consequence of its mandate. By doing so, it was complementing the World Bank, particularly in terms of it aligning itself to the adjustment programs of the IBRD and the IDA. As noted in the IFC Annual Report 1987, ‘the longer-term solution to the structural adjustment problems of many developing member countries lies in selective new investments which are designed to improve efficiency and exploit comparative advantage, often in the context of an improved economic policy framework’ (IFC, 1987, 6-7). The IFC complemented the World Bank.

Technical assistance coordinated by the IFC was delivered either by an IFC unit, by its Technical Assistance Trust Fund (TATF) program, or by the FIAS. Focusing on the former two, these both greatly expanded during this period.

Under Executive Vice President William Ryrie, the IFC’s technical assistance portfolio centred mainly on financial liberalisation and private sector growth: capital and financial market development, market regulation restructuring and growth, the drafting of market exposure legislation, and privatisation and divestiture (World Bank, 1990b, 69-70; World Bank, 1991c, 106-107).

Stand-alone technical assistance projects provided by the IFC focused upon securities markets development, bank privatisation, and financial technique adoption. Sub-Saharan Africa, East Asia, and former Soviet Union satellites were the main recipients in 1991, with thirty-eight countries receiving fifty-five projects (IFC, 1991, 17). In 1989, several privatisation projects began. Indonesia, Malaysia, Nepal, Oman, Pakistan, the Philippines, and Turkey received these projects, which ranged from the privatisation of state-owned enterprises to the development of plans for future privatisations (IFC, 1989, 43). Also in 1989, Colombia, the Gambia, Guatemala, Guyana, Nigeria, the Philippines, Thailand, Turkey, Venezuela, and Zambia received assistance on creating and improving the efficiency of private enterprises and parlaying investment opportunities with international corporations (IFC, 1989, 44-45).

The Capital Markets Department, commencing its twentieth year upon the retirement of Conable, continued its focus on financial sector development. Not only did it provide a variety of advisory services (including proposals for the construction of fiscal, legal, and regulatory frameworks guiding market-
friendly financial sector growth and improved access for private enterprises to global markets), but it also promoted its newly created Emerging Markets Database, a computerised data source on equity markets in developing countries (IFC, 1988, 39-40; IFC, 1989, 37). The IFC was not only providing technical assistance, but was collating data on investment opportunities, becoming a global “knowledge hub” on investment in developing countries.

The IFC refined its software portfolio by launching the Corporate Finance Services department in November 1988, which specialised in corporate and financial restructurings and privatisation. An advisory body, it worked with governments, private enterprises, and financial advisors (IFC, 1990). Also unveiled in 1988 was the TATF program, which extended the technical assistance portfolio of the IFC through external donor funding. The program offered feasibility studies, project surveys and rehabilitation, sector surveys, pilot operations, and technology transfers (IFC, 1989, 9-10; IFC, 1994, 10-11). Between 1988 and 1991, the program contributed more than US$5 million through over sixty technical assistance projects (IFC, 1991, 18-19).

The IFC complemented the neoliberal adjustment and stabilisation programs of the World Bank by emphasising the perceived importance of privatisation and financial restructuring through training, surveys, and legislative reform.

The MIGA – the fifth and most recent Group affiliate – came into being in April 1988. Ibrahim Shihata, the World Bank General Counsel from August 1983 to October 1998, revealed its back-story in an interview, recalling that

In the wake of the [1982] Debt Crisis, developing countries could no longer rely on commercial loans. The only potential for a reasonable increase of private flows was direct investment and portfolio investment. These investments would not come under the current conditions without some guarantee. [The] MIGA would help in providing such guarantees, for funds which did not increase the developing countries’ debt (Shihata, 2000, 21).

Following the economic disequilibrium caused by the 1982 Debt Crisis, the mission of the Group was to establish market-friendly environments in its member countries, thus encouraging foreign investment. The MIGA was to serve this mission by improving investor confidence. The main objectives of
the MIGA were to encourage FDI by guaranteeing investments against non-commercial loses, to improve understandings and confidence between investors and recipients, and to generate and disseminate information, knowledge, and expertise on global private investment (MIGA, 1989, 5-6).

The MIGA accordingly employed its technical and advisory services to restructure policy frameworks and to build institutional and administrative capacity, to the purpose of unshackling market forces. Unlike the World Bank, the document establishing the MIGA contained provisions mandating its use of technical assistance (MIGA, 2011). From its Policy and Advisory Services (PAS) department, the MIGA coordinated its "knowledge activities".

By the end of the Conable presidency, the PAS had secured its niche role in the provision of technical assistance, promotional services, and research for foreign private investment. While the annual number of member countries receiving assistance was small (fourteen in 1989 and twenty-two in 1990), its efforts were highly specialised. For example, Togo received a review of its investment climate in 1989 that advised changes to its investment code and noted prospects for "export-processing free zones", from which Togo adopted the proposed investment code (MIGA, 1989, 8-9). Although small, the MIGA played a role in diversifying the private sector arm of the Group.

The FIAS became a joint venture between the IFC and the MIGA in 1988 and was later responsible for the advisory services of the PAS. The mainstay of FIAS technical assistance concerned the adjustment of national policies, regulations, and institutional arrangements to attract private investment. Sub-Saharan Africa, East Asia, and Latin America received the majority of its assistance under Conable, although the total number of advisory projects was small: seventeen in 1990 and twenty-one in 1991 (MIGA, 1990, 16-17; MIGA, 1991, 21-22). Supporting the IFC and the MIGA, the FIAS played a role in strengthening the Group and its legitimisation of neoliberal “truths”.

In 1988, the FIAS assisted in formulating FDI policy frameworks, modified regulations governing FDI, improved FDI proposal evaluation techniques, established policies to facilitate FDI allocation to particular industries, streamlined screening and approval procedures for investment, helped
rationalise investment incentives, and studied foreign exchange allocation systems for foreign investments (IFC, 1988, 45). In 1989, it provided policy support to China, restructured foreign investment codes in Yugoslavia, analysed foreign investment issues in Guinea, Lesotho, and Madagascar, established investment institutions in Papua New Guinea, implemented investment incentives in Togo, and identified allocation impediments to FDI in the agricultural sectors of Indonesia and Senegal (IFC, 1989, 48). In summary, the FIAS strengthened the private sector engagement of the IFC and the MIGA by creating structures in its member countries aligned to the free market, persuading the acceptance and adoption of neoliberal “truths”.

**Conclusion**

The lost decade for development became an opportunity for the Group to project its neoliberal agenda into developing countries. Taking advantage of the cessation of private lending to the developing world, the Bretton Woods institution utilised SALs, SECALs, policy-based loans, private sector support, and technical assistance to publicise and legitimise the neoliberal discourse.

While Conable advanced a market-friendly social conscience, the relatively short presidency of Clausen laid the framework for the next three decades. Irrespective of changes in its rhetoric through the (re)launch of sustainable development and poverty alleviation, the Group would hereafter consistently argue that neoliberal policy reform was central to development. In 1982, neoliberalism was introduced into the development discourse as a solution to one problem. By the 1990s, it was the answer to every question.

In affecting the construction, projection, and legitimisation of the neoliberal development discourse, viewing the “improvement” of developing countries as dependent upon their acceptance and adoption of neoliberal “truths” and “getting the prices right”, software turned into a tool to legitimise neoliberal norms. Group technical assistance became neoliberal-technical assistance.

*Chapter Six – Transition and Governance* observes the years between 1991 and 1999. Beginning with the collapse of the Soviet Union, this chapter analyses how the Group managed to merge “getting the prices right” with
“getting the politics right”. Good governance came to change the discourse. It was no longer enough to be a liberal capitalist economy. “Development” now required countries to become liberal capitalist democracies. Under the presidencies of Lewis Preston and James Wolfensohn, the neoliberal discourse transformed, with soft technical assistance evolving in response.
Chapter Six
Transition and Governance
1991 to 1999

The formal dissolution of the Soviet Union on 25 December 1991, signalling the end of the Cold War, led to major changes in the world economy, the mainstream development discourse, and the Group. The bipolar world order that had defined the decades since the end of the Second World War was no more. There consequently emerged a vacuum where communism had once stood as an ideological force. Liberal capitalist ideals – economic, political, and social – were able to spread largely unopposed, championed by the United States. Supported by and supportive of the IMF, the Group was not isolated from these changes and promoted the dissemination of these ideas.

For the Group, the lost decade for development was an era of neoliberal financial stabilisation and adjustment. The 1980s became the crucible from which developing countries received the Washington Consensus, made possible by the economic downturn exacerbated by the 1982 Debt Crisis. Building upon these foundations, the 1990s became a decade of liberal political adjustment, attempting to complement the financial. With the spread of liberal capitalist ideals largely unopposed, good governance, anti-corruption measures, and democratisation processes entered the rhetoric of the mainstream discourse, with the Group, the IMF, and the United Nations extolling their role and value. Neoliberalism was no longer solely focused upon “getting the prices right”. “Development” now required “getting the politics right”, through accountable, transparent, and efficient governance.

The controversial pursuit of the political reformation of developing countries defined the Group throughout the 1990s, during the presidencies of Lewis Thompson Preston (1991 to 1995) and James Wolfensohn (1995 to 2005). While financial liberalisation remained crucial, political institutions now had to change as well. The developing world had to practise good governance.

The 1980s proved to be a trial ground for soft technical assistance, used as a means to support structural and sectoral adjustment lending. The 1990s
conceptually expanded software much further. While remaining convinced of neoliberal adjustment, the Group extended its advisory services to include elements not present under either Clausen or Conable. Political reform, anti-corruption measures, and governance assistance entered the fray. The shift towards good governance changed the nature of technical assistance.

This chapter begins with the formal dissolution of the Soviet Union and ends seven years later in December 1998; some eighteen months after the 1997 Asian Financial Crisis began. This end date was chosen because in January 1999 Wolfensohn announced the establishment of his Comprehensive Development Framework (the CDF), an initiative fundamentally altering the nature and quality of Group development assistance, laying the foundations for the presidencies of Paul Wolfowitz and Robert Zoellick during the 2000s.

**The Presidency of Lewis Thompson Preston**

The Fourth United Nations Development Decade and its ‘market-centred strategy’ (United Nations, 1992, 97) began with two events, both affecting the world economy and the development assistance program of the Group.

The first event was the global price volatility caused by the Gulf Crisis (1990 to 1991), which undermined growth in developing countries throughout the world economy. It destabilised petroleum prices, diminished global investor confidence, and contributed to the slowdown of worldwide trade expansion, constraining world economic growth (IFC, 1991, 6; MIGA, 1991, 6; United Nations, 1991, 343; World Bank, 1991c, 40: World Bank, 1992d, 31). East Asia was the only exception, with it sustaining strong regional growth rates.

The second event was the dissolution of the Soviet Union, followed by the integration of its former satellites into the world economy via their transition from command- to market-based economies. The Group aided the economic and political transition of these countries towards a reliance on market forces. With the balance-of-power tension between the United States and the Soviet Union evaporating, the Group and the IMF significantly expanded the geographical scope of their operations. The previously insulated communist strongholds of Central and Eastern Europe were now open,
ensuring that there was no alternative to neoliberal globalisation (Gamble, 2005, 369; Dodge, 2006, 460). The arguable lack of an alternative led Thomas Friedman to coin the phrase “the Golden Straitjacket”. This meant that countries could amass great wealth through their engagement with global markets, but at the expense of relinquishing political control over their domestic economies (Friedman, 2000). This mentality epitomised the neoliberal core project and its development discourse throughout the 1990s.

Into this turbulent global environment entered the eighth Group President. From September 1991 to May 1995, distinguished commercial banker (one of the leading Wall Street bankers of his time) Lewis Thompson Preston capably led the Bretton Woods institution. He advanced a client-oriented vision, argued that loan applications should take into consideration social justice records, tackled the transition of the former Soviet Union, welcomed the newly democratic South Africa, and was challenged by the “Fifty Years is Enough” campaign that called for the dismantling of the Group as it neared its semi-centennial (Bello, 1994; Danaher, 1994; Duncan, 1994). In response to the above, Preston argued that the Group needed to be flexible, cost-conscious, efficient, and forever learning (World Bank, 1995a, 14-15).

Preston was more progressive than his immediate predecessors were when it came to defining what “development” meant, enthusiastically pursuing an agenda he deemed crucial to economic and political growth. At the heart of his agenda was sustainable poverty alleviation. Announced as the mission of the Group in May 1992, poverty was argued to be the root of all problems plaguing developing countries. To achieve this mission, the Group reformed its institutional and organisational structures, altered its lending program, and restated the need for a strong private sector through the IFC and MIGA.

Adjustment lending remained dominant during the Preston years, despite severe criticism. Although the provision of project-based loans continued, policy-based lending was the main preoccupation. As an example, the World Bank Annual Report 1992 concluded that ‘structural adjustment is a necessary … condition for transition to sustainable growth’ (World Bank, 1992d, 68-69). Importantly however, as a response to the negative social impact of SALs and SECALs, policy-based loans increasingly focused upon
the preservation of social safety nets. Put in perspective, only five percent of adjustment loans between 1984 and 1986 addressed social issues. This figure had increased to fifty percent between 1990 and 1992 (World Bank, 1993e, 38). Adjustment loans to Argentina, Peru, Sierra Leone, Vietnam, and Zimbabwe stressed budget deficit reduction, deregulation, trade and financial liberalisation, and private sector-led growth, while proposing initiatives designed to mitigate the social impact of adjustment upon the poor (Peru, 1992; Zimbabwe, 1992; Argentina, 1993; Sierra Leone, 1993; Vietnam, 1994). Building upon the Conable presidency, Preston tried to walk the difficult line between neoliberal adjustment and poverty alleviation.

The World Bank’s research program also balanced adjustment and poverty. Promoting itself as a learning institution, its research program supported its lending operations and publicised its understandings of “development”. Abstracts of then current studies included analyses of adjustment and debt, private and public sector reform, financial intermediation, and poverty and human development (World Bank, 1992c). One notable development was its inclusion of and its focus upon good governance, epitomised by the World Development Report 1991: The Challenge of Development, which argued the importance of the state, governance institutions, and democracy to the “improvement” of developing countries (World Bank, 1991d); the state was no longer to be ostracised from the market. The 1991 Report had a profound impact upon the renaissance of the state (Sandbrook, 1995, 281).

The attempt to amalgamate adjustment, poverty, and the state culminated in the Group’s response to the market transition of the former Soviet Union.

**Economies in Transition**

The collapse of the Soviet Union created an opportunity for the Group. Allied with the United Nations, the IMF, and the EBRD, the Bretton Woods sibling was able to pursue the wholesale neoliberal reform of an entire region. The market transition of Central and Eastern Europe became representative of the attempt to broaden the development discourse to include both economic and political liberalisation. Preston remarked that “helping countries of the former Soviet Union ... is as great a challenge as any the Bank has faced in
its history’ (World Bank, 1992a, 18). Technical assistance became crucial to this end, as the transfer and adaptation of ideas, knowledge, and skills were vital to transition – the abandonment of old mindsets in favour of the new.

Transition assistance was not new to the Group. Algeria, China, Hungary, Laos, Mozambique, Poland, and Yugoslavia received assistance to privatise public enterprises and introduce market mechanisms during the 1980s (Lee and Nellis, 1990). In addition, the World Bank published *Economic Reform in Socialist Countries: The Experiences of China, Hungary, Romania, and Yugoslavia* in 1983, which reviewed market transition and economic reform in several countries (Knight, 1983). Yet, prior to the collapse of the Soviet Union, the Group had not attempted such a wide and exhaustive program of economic and political liberalisation in former command-based economies.

Conceptually, transition was quite straightforward, defined as the removal of legal restrictions upon the private sector, including economic and political reform and restructuring (Milanovic, 1998, 3). While the economic reforms were reminiscent of what had been prescribed through adjustment lending during the 1980s, the establishment of liberal political institutions was a far more recent turn (Dhanji and Milanovic, 1991; Cherp and Vrbensky, 2002). Reinforcing its political liberalisation drive, the World Bank argued that the ‘most openly ideological interest in privatisation is the belief that economies based on private property are better at establishing democratic political institutions and preserving individual freedoms than economies where the productive apparatus is socially owned’ (Dhanji and Milanovic, 1991, 4). The advocacy of liberal political reforms was new and highly controversial for the Group, a turn that altered its broader approach to development assistance.

The *World Development Report 1996: From Plan to Market* listed the main transition reforms as liberalising prices, markets, and new business entry, arguing that policymakers should align their domestic economies to global markets (World Bank, 1996b). The report was clear in its understanding of transition, dividing discussion between the “challenge of transition” and the “challenge of consolidation”. To the former, concern was with policy reform, liberalisation, stabilisation, growth, property rights, enterprise reform, and people, while the latter looked towards legal institutions, the rule of law,
financial systems, “better and slimmer” government, human development, and the impact of global economic fluctuations (World Bank, 1996b). The report thus listed what the Group regarded as the main issues of transition: the need to establish market-based economies and governance institutions sympathetic to the market, while protecting the most vulnerable in society.

Central to transition was privatisation. As the IFC Annual Report 1992 argued, privatisation was ‘the sine qua non of the conversion of the centrally planned ... economies to market economies’ (IFC, 1992, 11). Importantly, what the Group advocated was rapid and mass privatisation. Its position was that privatisation should ‘occur quickly, taking advantage of limited reform “windows”, and that new private owners would restructure the enterprises and provide adequate corporate governance’ (World Bank, 2004b, vii). The Group also argued that governments ‘should not wait for the completion of all legislation to begin selling enterprises’ (World Bank, 1993d, 41). These statements revealed its optimism for and assumptions about transition, notably its faith in the private sector (Levy, 2004, iii). The Group assumed that transition needed to occur quickly, almost as a form of shock therapy, and pursuant to the dictates of the Washington Consensus (Roland, 2001, 32). Graham Smith thus likened European transition to Latin America during the 1980s, regarding both as on the margins of the world economy and dependent on neoliberal development institutions (1999, 23).

The World Bank provided a broad range of advisory services to the former Soviet Union, with technical assistance for privatisation and reprivatisation, for communalisation (the transfer of state property to local governments), for longitudinal surveys measuring the social impact of transition, and for social safety net development (Gray et. al., 1991, 5; World Bank, 1993b, 15; World Bank, 1994c, 24-25). To illustrate, Belarus, Georgia, the Russian Federation, and Ukraine received TALs during the early 1990s. These loans focused upon banking reform, economic management, financial and private sector development and management, industry and trade sector reform, regulation and competition policy reform, and government administration (Russian Federation, 1992; Belarus, 1993; Ukraine, 1993; Georgia, 1994). These TALs combined a range of neoliberal economic and political reforms.
The private sector arm of the Group also provided technical assistance to the region, including privatisation supervision (which accounted for close to a third of its portfolio between 1992 and 1994) and the promotion of private investment opportunities (IFC, 1992, 21; IFC, 1993, 2; IFC, 1994, 10). As an example, the IFC designed and implemented ‘Russia’s first privatisation, which involved the auction of 2,000 small-scale enterprises in Nizhny Novgorod’ (IFC, 1992, 47). The IFC provided consultants, studies, training, and oversight to the dismantling of public enterprises in Nizhny Novgorod, guiding the practical adoption of neoliberal measures that were already accepted in principle. The MIGA also supported transition economies (known as Category II countries). It concentrated on investment promotion and information dissemination on investment opportunities, and its portfolio provided aid to thirty-three Category II countries in 1994 (MIGA, 1994, 4).

At this point, it is important to contextualise the relative volume of technical assistance the Group provided to Central and Eastern Europe. In the years immediately following the dissolution of the Soviet Union, the European Community was the largest provider of advisory services to the region, surpassing the collective contributions of the IMF, the Group, and the EBRD. It loaned US$2.15 billion in 1992, compared to the meagre US$68.8 million of the others combined (Goyal, 1994, 149). Even so, the Group played an important role by offering transition assistance, notably to the Baltic States.

**The Baltic States**

The Baltic States - Latvia, Lithuania, and Estonia - are good examples of the World Bank’s involvement in the transition of the former Soviet Union. These countries joined the World Bank in 1992, shortly after achieving formal independence from five decades of Soviet rule. They joined the IFC in 1993. Technical assistance incorporated as loan components to these countries reveal the nature and quality of World Bank transition assistance.

Following investigative missions conducted in early 1992, the Baltic States each received their first IBRD loans: *Rehabilitation Loan Projects* (Estonia, 1992; Latvia, 1992; Lithuania, 1992). In the midst of economic and political upheavals, the three countries were suffering debilitating trade and financial
distortions. In 1992 alone, each endured a substantial decline in their gross domestic product, agricultural production, and industrial output. Lithuania suffered the worst, with over twenty-five percent declines in the above categories (Harris, 1995, 3063; Scahill, 1998, 341). As a result, the three IBRD loans (and their technical assistance components) attempted to stabilise and adjust their economies and offered financing to major sectors in decline, while building mechanisms to encourage greater market reliance.

Interestingly, the 1992 loans were not conditional. Since the Baltic States were receptive to the reforms prescribed, non-compliance was not an issue. As a result, their technical assistance components did not need to convince them to accept neoliberal reforms, merely the “correct” way to adopt them.

Following the Rehabilitation Loan Projects, the Baltic States next received IBRD loans targeting their financial and banking sectors. In 1994, Estonia received the Financial Institutions Development Project and Latvia received the Enterprise & Financial Sector Restructuring Project, while Lithuania in 1995 received the Enterprise & Financial Sector Assistance Project (Estonia, 1994; Latvia, 1994; Lithuania, 1995). This second wave of loans built upon the foundations of the 1992 projects and the early years of transition, while focusing on commercial bank development and banking systems reform. In terms of technical assistance, these loans provided institution development for key financial ministries, oversight to treasury management, supervision of privatisation transactions, and capacity building through seminars and manager mentor programs. To provide a specific example, the World Bank aided the Latvian Privatisation Agency create its Pilot Privatisation Program (World Bank, 1994g, 18). In practice, these neoliberal loans sought to shift state control of the banking system towards private entrepreneurs by reorganising, privatising, or liquidating state-controlled financial institutions.

A series of financial and banking crises during the mid 1990s exacerbated the difficulties of transition. The 1995 Latvian Banking Crisis was a prime example, being the largest banking crisis of any country of the former Soviet Union at the time. The Latvian banking system lost forty percent of its assets and depositors lost an estimated US$800 million. The crisis arose from poor regulation, poor accounting, excessive taxation, an inadequate
legal infrastructure for bank lending, and pervasive corruption coupled with weak managerial skills (Fleming, Chu and Bakker, 1996, 26). On top of this, the Baltic States were also suffering the social costs of transition, which led to severe increases in inequality and a geographical and ethnic division of wealth (Nørgaard and Johannsen, 1999, 122). Labelled “second generation” transition problems, the above led to third round of neoliberal projects from the IBRD. Latvia received the comprehensive *Structural Adjustment Loan* (1996), while Lithuania received the *Structural Adjustment Loan* (1996) and the *Social Policy & Community Social Services Development Project* (1997).

These three loans addressed the spill over effects of the Latvian Banking Crisis, while utilising technical assistance to manage financial liberalisation and poverty alleviation by (Latvia, 1996; Lithuania, 1996; Lithuania, 1997):

- Supporting macroeconomic stability by limiting the fiscal deficit;
- Supporting an agenda of structural reforms for efficiency and growth;
- Supporting an extensive program of banking sector privatisation;
- Promoting fiscal discipline in private banks and private enterprises;
- Rationalising public sector resource management decisions; and,
- Promoting labour market security and poverty analysis monitoring.

While targeting “second generation” transition problems, these loans were designed as a means to resuscitate the Latvian and Lithuanian economies in crisis. Their main purposes were to spur private sector growth through fiscal discipline and macroeconomic stability and to shift public resources rapidly to support productive private investments. The three loans guided dramatic “improvements” to the economic and political structures of the Baltic States, changes that Latvia and Lithuania accepted and only needed help to adopt.

**Good Governance**

In line with supporting the market transition of the former Soviet Union, the Preston presidency also re-evaluated the role of the state in “development”. At the same time as arguing the importance of “getting the prices right”, it began to endorse “getting the politics right”. While Conable introduced good governance, it was only during the 1990s that it became a cornerstone of
the Group’s program of development assistance. Criticisms of adjustment lending and the documented role of the state in the "East Asian Miracle" contributed to the acceptance of good governance within the Group (Peet and Hartwick, 1999, 56-57; Stiglitz and Squire, 2000, 387). By the end of Preston’s first year, governance had come to encapsulate accountability, transparency, efficiency, legal frameworks, institutions, and public sector reform (Frischtak, 1994, 28; Oestreich, 1994, 64; Winters, 2010, 425-426). Controversially, the Group began advocating the necessity of participatory politics, political pluralism, and democracy to successful “development”. Software became influential to the legitimisation of political liberalisation, as financial assistance alone was incapable of making governance accountable.

Following Governance and Development (1992), its first official review of good governance, the Bretton Woods institution published Governance: The World Bank’s Experience (1994), which argued that growth could not occur without adequate governance institutions (World Bank, 1992b; World Bank, 1994a). The spread of liberal political ideals and good governance became synonymous, linked by the neoliberal faith that accountable and transparent institutions were necessary for a productive private sector (World Bank, 1994h, 76). “Development” now required that states “got the politics right”.

An illustrative example of World Bank technical assistance addressing good governance was the US$20 million Modernisation of the State Technical Assistance Project (1994) to the Republic of Ecuador. This TAL targeted civil service and administrative reform, financial management and procurement, and public expenditure. The main objective of the loan was to improve and restructure public sector management. It attempted to achieve this objective by ‘providing efficiency, sustainability, and transparency to the Government’s public sector reform efforts’, while reorienting ‘the role of the state from one based on large scale intervention in the market to a model that relies on the private sector as the main actor in the pursuit of social and economic development’ (Ecuador, 1994). By developing institutions and human resource capacity, the TAL encouraged good governance reforms via the drafting of legislation and the design and implementation of techniques involved in budgeting, accounting, and financial management of the public sector to improve transparency (World Bank, 2001a, 5). Put simply, the
loan attempted to make governance institutions accountable by establishing safeguards limiting the possibility of financial corruption in the public sector.

The pursuit of good governance was highly controversial. Graham Harrison remarked that by embracing the political side of “development”, the Group was ignoring its doctrine of political neutrality (2005, 241-242). However, drawing upon Cheryl Payer, Catherine Caufield, and Susan George and Fabrizio Sabelli, Harrison also commented that ‘it is well established that the World Bank is not a politically-neutral institution, concerned solely with matters of efficiency and economic growth’ (2005, 240). The Group was making value judgments about the “right types” of states. Because of this controversy, the legality of good governance under the Group’s doctrine of political neutrality often required public defence (Thomas, 2007, 732-733).

**Technical Assistance under Preston**

In response to external pressures and internal changes, the World Bank was ‘taking an increasingly active role in providing technical assistance in areas of policy reform, institutional development, and capacity building upstream of normal lending operations’ (World Bank, 1993e, 92). Technical assistance included as components of lending operations consequently expanded, from US$1.8 billion in 1991 to US$2.2 billion in 1994, of which capacity building comprised fifty percent of the latter (World Bank, 1995b, 39). During this time, soft technical assistance remained a persuasive tool used to align recipients to market forces via liberalisation, privatisation, and deregulation.

Stand-alone technical assistance projects continued the trends of the earlier Clausen and Conable presidencies, focusing upon adjustment, institutions, and macroeconomic management (Belarus, Burkina Faso, Chile, China, Côte d’Ivoire, Guinea-Bissau, Tanzania, Turkey, and Uganda). There were, however, numerous examples of the more recent focus upon governance, market transition, private sector growth, and public sector reform (Albania, Armenia, Cape Verde, Côte D’Ivoire, Egypt, Kazakhstan, Mongolia, Nigeria, Peru, Russia, Tanzania, Ukraine, Uzbekistan, Venezuela, and Zambia). In addition, the World Bank provided hardware-oriented energy, engineering, and environmental projects (Bolivia, Chile, China, Ecuador, El Salvador,
Equatorial Guinea, Gambia, Ghana, Indonesia, Kazakhstan, Mongolia, and Zaire) (World Bank, 1992d, 157; World Bank, 1993e, 159; World Bank, 1994h, 122-143). Despite the turn towards good governance and poverty alleviation, the World Bank maintained the status quo of the 1980s, using its repertoire of surveys, studies, institution development, and training to project its neoliberal “truth”, thereby attempting to persuade its recipients to accept and adopt its ideas by building structures and changing mindsets.

The following stand-alone projects to Angola, Côte d’Ivoire, Guinea-Bissau, Burkina Faso, and Sierra Leone are illustrative of World Bank soft technical assistance under Preston, all five being TALs provided by the IDA in 1992.

Angola and Guinea-Bissau received TALs labelled “financial sector credits” (Angola, 1992; Guinea-Bissau, 1992). The projects involved macroeconomic management, the creation of legal institutions for a market economy, tax administration reform, and regulation and competition policy reform. The Angolan TAL sought to stimulate resource mobilisation, private investment, and economic diversification by developing banking infrastructure, building the capacity of Angola’s central bank, and improving legal frameworks and the regulatory environment for financial operations. The Bissau-Guinean TAL attempted to build the analytical and technical capacity of the national government in its financial and economic policymaking and monitoring of banking, budgetary, and taxation reform conducive to private investment. One component of the TAL, labelled “Training and Manpower Development Capacity Building”, provided academic level training programs on neoliberal policymaking and monitoring to 3,400 middle and senior level civil servants; it not only sought to persuade others of the legitimacy of neoliberal reform, but it also instructed the “best practices” on how to implement such reform.

Burkina Faso and Sierra Leone received “public sector management credits” (Burkina Faso, 1992; Sierra Leone, 1992). These two projects attempted to “improve” the growth strategies of both countries by streamlining their public sectors through comprehensive reform and the restructuring and reduction of the government’s performance as owner and operator of public enterprises. In addition, both TALs offered support to the development of major public institutions charged with economic and sector management via
legislative and procedural reforms and the training of senior personnel. Put simply, the TALs sought to reduce the state and expand the private sector.

Côte d’Ivoire received the Privatisation Support Project. A US$15 million credit, its objective was to alleviate the chronic administrative and financial burdens plaguing the public sector, a result of its untenable public debt, fiscal disequilibria, and poor performance (Côte d’Ivoire, 1992; World Bank, 2000c, 2). The TAL pursued its objective by guiding the privatisation of the public sector through financing, consultation, and support to the Cellule Technique du Comité de Privatisation (the Privatisation Committee and its Technical Secretariat), and a comprehensive training program. Seventy-one privatisations of eighty public enterprises took place under its supervision.

In summary, the above five TALs were attempting to legitimise the position that private enterprises were more efficient at directing “development” than the public sector. These projects attempted to legitimise that position by coordinating privatisations and by training staff on how best to rollback the state. Despite the turn towards good governance and poverty alleviation, the neoliberal development discourse and the World Bank were concluding that “development” was only realisable through the unfettered free market.

The provision of reimbursable technical assistance remained a staple of the World Bank’s advisory services. Specific details are however quite scarce, mainly obtainable in brief from the World Bank Annual Reports. The limited data reveals that its reimbursable program to Middle Eastern oil-exporting countries increased, with Saudi Arabia being the main recipient. The general fields targeted by this service were macroeconomic analysis, privatisation, labour markets, and policy advice on export promotion, as well as sectoral studies on health, power, tourism, and sewerage (World Bank, 1993e, 144).

The PPF and the SPPF continued to provide project preparation and pre-investment advances in the areas of public sector management, financial adjustment, debt management, private sector development, environmental sustainability, food security, human development, and poverty alleviation (World Bank, 1995c, 39; World Bank, 1996a, 42). While quite small, both of these facilities reinforced the legitimacy of the agenda of the World Bank by
building institutions for financial and political liberalisation, which arguably aided the acceptance and adoption of neoliberal provisions in later projects.

The Technical Assistance Review Task Force began its examination of World Bank technical assistance in April 1991. In addition to recommending closer collaboration with the UNDP, the task force proposed the establishment of a new technical assistance grant facility – the IDF (World Bank, 1992d, 95). Founded in July 1992, the IDF was ‘designed to fill gaps in the Bank’s set of instruments for financing technical assistance for institutional development work associated with policy reform, country management programs, poverty reductions programs, public sector management, private sector development, and environment management’ (World Bank, 1994h, 68-69). By 1995, it had approved 345 grants to 108 countries (World Bank, 1997a).

The EDI focused attention upon issues beyond the scope of earlier decades, building upon its experiences during the 1980s: poverty alleviation, human resource development, environmental sustainability, debt and adjustment, private sector development, and public sector management. Its focus upon these issues reflected the principal concerns of the early post-Cold War era – promoting political equality, good governance, and financial and environmental sustainability. It was also at this time that it announced its current mantra – ‘investing in ideas and people’ (World Bank, 1995c, 124).

While the annual number of EDI courses was slow to increase, the number of participants rose sharply, from 3,000 in 117 courses in 1992 to 4,900 in 140 courses in 1994 (World Bank, 1994h, 156). The most popular courses were those on financial and private sector development and development management. The collapse of the Soviet Union increased the annual number of participants, as numerous officials from the former Soviet bloc attended.

The focus of the World Bank’s technical assistance portfolio slowly evolved during the early 1990s by taking into consideration good governance and a new role for the state. In saying that however, it had not moved that much further beyond the Clausen and Conable decade, with the primary purpose of software being to persuade recipients to accept and adopt neoliberalism.
The Private Sector Arm of the World Bank Group

The IFC altered its technical assistance portfolio to complement the World Bank and attempted to balance financial and political liberalisation. Under the executive vice presidencies of William Ryrie and Jannik Lindbaek, its advisory services focused upon privatisation, private sector growth, capital markets development, market regulation, and market exposure legislation. Central and Eastern Europe and Latin America and the Caribbean were its main recipients, notably because of the market transition of the Soviet bloc.

Technical assistance coordinated by the IFC was provided either by an IFC unit, by the TATF program, or by the FIAS. Focusing on technical assistance provided by an IFC unit, the Preston era saw its sudden expansion in scope and volume. From twenty-three projects in 1990, its advisory portfolio more than doubled to fifty-six projects in 1994 (IFC, 1991, 17; IFC, 1994, 11). In East Asia, Latin America, the Middle East, and Sub-Saharan Africa, most of its technical assistance targeted privatisation, capital markets development, foreign investment liberalisation, corporate restructuring consultation, and guidance to small-scale entrepreneurs (IFC, 1992, 28-38 and 57-67). Above all, privatisation comprised a core pillar of its advisory services, with the IFC offering assistance to sellers on negotiating and implementing privatisation transactions and to buyers by acting as a financial advisor and an investor.

In the former Soviet Union, the IFC acted as a financial advisor to Poland, Hungary, and Czechoslovakia, and was largely responsible for the decidedly successful privatisation of the Russian city of Nizhny Novgorod. The Nizhny Novgorod project was a significant undertaking that led the IFC, the World Bank, and an international team of experts to privatise more than 2,000 retail food stores and communal facilities (IFC, 1992, 21-22). Other Russian cities later adopted this pilot program in privatising their own public sectors. The end of the Cold War expanded the influence of IFC technical assistance.

Following the Conable presidency, the IFC continued to co-finance projects undertaken by the TATF program. Established in 1988, the program mainly provided feasibility studies, project identification support, pilot operations, sectoral studies, technology transfer, and expert advice on privatisation and
capital markets development. Sub-Saharan Africa, East Asia, and the Baltic States were the primary beneficiaries of the TATF program (IFC, 1994, 12).

The MIGA followed the path laid by the IFC. The mainstay of MIGA technical assistance involved the promotion of private investment opportunities, thus reinforcing the alleged importance of the private sector to “development”. National governments and investment promotion agencies were the primary recipients of its advisory services, delivered as capacity building, investment promotion support, and information dissemination on private investment (World Bank, 1995c, 129; MIGA, 1997, 44). Similar to the World Bank and the IFC, the collapse of the Soviet Union led to a sizeable shift in its regional attentions. The Central and Eastern European transition economies received the majority of its support during the mid 1990s (MIGA, 1994). The MIGA supplemented the IBRD, IDA, and IFC by creating investment opportunities.

The main department providing MIGA technical assistance was the PAS, which focused upon advisory, promotional, and research efforts enhancing FDI. The Investment Marketing Services Department replaced the PAS in June 1994. The replacement of the PAS was a rhetorical declaration by the MIGA that its technical assistance no longer provided policy advice, but the ‘marketing and promotion of countries as sites for foreign investment’ (MIGA, 1998b, 27). This signalled a shift from the MIGA being a top-down source of advice to being a business partner working alongside the private sector, thus arguably strengthening the legitimacy of its neoliberal “truths”.

During the mid 1990s, the MIGA was unique in utilising multimedia tools to provide technical assistance. This development, seen most clearly towards the end of the Preston era, would form the basis of much of the technical assistance portfolio of the Group during the 2000s. To enhance national investment promotion capabilities through information and communication systems, the MIGA launched a global economic network, known as IPAnet – the Investment Promotion Agency Network, and sector-specific CD-ROMs containing investment conditions, market opportunities, and a database of potential business partners (MIGA, 1994, 34-35). Introduced in 1993 and launched in October 1995, IPAnet was realised as an innovative tool offering advice and information (MIGA, 1998b, 29). The introduction of IPAnet not
only reflected an attempt to expand the reach of MIGA technical assistance, but also the conservation of financial resources. At roughly the same time, the MIGA terminated its financial support for the FIAS (MIGA, 1994, 26-27).

The Preston years saw a steady increase in the annual number of projects completed by the FIAS, from twenty-one in 1991 to twenty-nine in 1994 (MIGA, 1991, 2; MIGA, 1994, 4). The Sub-Saharan African, East Asian, and Latin American regions received the majority of its assistance, which involved the coordination, administration, and content of FDI, ranging from policy programs to institutional restructuring to legislative reform. In 1993, it ‘redirected its activities toward a greater emphasis on capacity building for investment promotion and intensified collaboration with other agencies to expand its impact ... to tap the synergistic benefits of such cooperation’ (MIGA, 1993, 20). The MIGA thereby became more important to the Group.

Just like the World Bank, the private sector arm of the Group maintained its advocacy of the neoliberal core project, projecting and legitimising its meta-paradigm through increasingly more advanced techniques and technologies; the technical assistance of the private sector arm had become more subtle. Yet, it did not go as far as the World Bank in advising political liberalisation, preferring instead to focus upon private sector growth. As a collective, the Group emphasised three qualities inherent to the successful “improvement” of developing countries: financial liberalisation, efficient governance, and a strong private sector. Wolfensohn later refined these qualities much further.

**The Presidency of James Wolfensohn**

On 04 May 1995, President Preston passed away after being diagnosed with cancer three months before. Australian-born James Wolfensohn succeeded him to become the ninth Group President in June 1995, beginning a decade-long tenure that would last until May 2005. Appointed by the administration of American President Bill Clinton and known as the "Renaissance Banker", philanthropist and investment banker Wolfensohn embarked upon an extensive program of institutional and ideological reform. He renewed the Group’s focus on poverty alleviation, he advocated greater inclusivity for its developing member countries, and he tried to recreate it as the knowledge
hub of development theory and practice. Wolfensohn was thus attempting to remove the “adjustment stigma” the Group had suffered since the 1980s.

The Wolfensohn decade was the closest, in terms of passionate speeches and a drive to alleviate global poverty and inequality, to the thirteen-year presidency of Robert McNamara. Whereas some heralded McNamara as the “Champion of the Developing World”, others described Wolfensohn as the “Voice of the World’s Poor” (Bebbington, Guggenheim, Olson and Woolcock, 2004; Mallaby, 2005). Wolfensohn’s unwavering commitment to global poverty alleviation was unlike anything seen in the Group since the 1970s.

Reminiscent of McNamara’s 1973 Nairobi speech, which introduced the idea of absolute poverty, Wolfensohn argued that ‘poverty is much more than a matter of income alone. The poor seek a sense of well-being which is peace of mind; it is good health, community, and safety. It is choice and freedom as well as a steady source of income’ (Wolfensohn, 1999a, 4). The rhetoric was very different from the neoliberal financial adjustment era of the 1980s, a reflection of a discourse increasingly disenchanted with “development” as simple economic growth. The Australian-born president sought to overcome the stigma of the Group’s technocratic and econometric reputation of the 1980s, making its more ‘human-oriented’ (Wolfensohn, 2010, 270). This renaissance of poverty alleviation was epitomised by the release of its new mission statement in January 1999: Our Dream is a World Free of Poverty.

Wolfensohn also improved the Group’s engagement with and support for environmental sustainability, women’s movements, and non-governmental and (controversially) faith-based organisations (Marshall, 2001, 340-341; Oestreich, 2004, 65; Pallas, 2005, 677; Brautigam and Segarra, 2007, 152; Siebenhüner, 2008, 109). He was attempting to move the Group beyond its static neoliberal mindset of the 1980s, and thereby improving its damaged reputation and its ability to convince others of the legitimacy of its “truths”.

That being said, and in stark contrast to the McNamara era, Wolfensohn’s presidency was unabashedly market-oriented in rhetoric and in practice. Despite augmenting its agenda, the Group remained a neoliberal institution. Two SALs committed in 1996 epitomised its augmented neoliberal mindset,
one to Algeria and one to Argentina. Both IBRD loans included provisions to stimulate private sector growth, mobilise external resources, reduce public sector expenditures, and penalise governmental corruption (Algeria, 1996; Argentina, 1996). Despite any rhetorical change, the shadow of the 1980s and the enduring legacy of the Clausen and Conable presidencies remained.

Wolfensohn received his fair share of praise, criticism, and condemnation. Jean-François Rischard, who was the World Bank Vice President for Europe under Wolfensohn, commented that he was ‘a fantastic president from an external standpoint, and he rebuilt the image of the Bank, which was very damaged by 1994’ (2006, 44). From this account, Wolfensohn managed to rebuild its reputation. While delegating substantial managerial authority, he ‘had no intention of being a lame duck president’ (Wolfensohn, 2006, 36).

Not all commentaries were as flattering. In a 2001 Foreign Policy article, Stephen Fidler, the United States Diplomatic Editor of the Financial Times, provided a scathing critique, painting his presidency as a complete failure. Criticising his personality and agenda, Fidler noted that Wolfensohn suffered

[a] phenomenal temper, [a] constant need for approval, and [an] inability to resist the latest development fad … Wolfensohn has avoided appointing any individual who could challenge him, thereby deepening the Bank’s management difficulties … Under pressure from NGOs and other interest groups, and as a result of his own insecurities, Wolfensohn has surrendered the World Bank’s intellectual integrity (Fidler, 2001, 40-41 and 56-56).

Interestingly, Fidler himself received condemnation from colleagues and contemporaries of Wolfensohn. Kofi Annan, then Secretary-General of the United Nations, remarked that the ’Jim Wolfensohn portrayed by [Fidler] … bears little resemblance to the colleague I have been privileged to work with in the United Nations family for the last five years’ (Annan et. al., 2001, 6). Similarly, former World Bank Managing Director Shengman Zhang argued that ’Fidler’s one-sided … article fails to mention that because of … Wolfensohn’s reform agenda, project quality and development effectiveness are at record levels, the bank is more open and willing to work with others, and [it] is more responsive to its clients’ needs’ (Annan et. al., 2001, 8-10).
Prior to launching the CDF in January 1999, the Wolfensohn presidency was responsible for introducing two new themes: the “cancer of corruption” and the “Knowledge Bank”. If Group history celebrates McNamara for absolute poverty, then anti-corruption and knowledge are the legacy of Wolfensohn.

**The Cancer of Corruption and the Knowledge Bank**

With good governance remaining central to the evolving neoliberal agenda of the Group, the Wolfensohn presidency expanded the concept to combat governmental corruption. During his *1996 Annual Address to the Board of Governors*, Wolfensohn proposed a new compact, intended to encourage the greater participation of its developing member countries and stressing the importance of public sector efficiency and transparency. He argued that ‘if the compact is to succeed, we must tackle the issues of economic and financial efficiency. [We] also need to address transparency, accountability, and institutional capacity. And let’s not mince words: we need to deal with the cancer of corruption’ (1996, 10). As a prelude to the post-Washington Consensus that would later emerge after the 1997 Asian Financial Crisis, the Group’s financial and technical assistance began to associate accountable governance with neoliberal “development”, to the conclusion that well-governed countries free from corruption grow faster (Winters, 2010, 425).

The Group had taken good governance and conceptually expanded it, to the point of testing the limits of the World Bank’s *Articles of Agreements* and its directive that it ‘cannot allow itself to be influenced by the political character of a member country. Only economic considerations are relevant’ (World Bank, 1996a, 7). Yet it was now labelling corruption as a factor pertinent to loan decision-making, justifying its inclusion under the claim that corruption undermines support for development programs, it impedes private investment, and it strangles private sector growth (World Bank, 2000b, 2).

This created a public relations dilemma. As Sebastian Mallaby commented, Wolfensohn’s rhetoric of the Group as an impartial ‘understanding outsider’, rhetoric arising from the pursuit of greater inclusivity, was at odds with it now becoming a ‘demanding advocate’ damning inappropriate government behaviour (2005, 180-181). Nevertheless, despite the controversy, Martin
Wolf regarded the rhetoric of the cancer of corruption as ‘the single most important development of the era of James Wolfensohn’ (2004, 70), only matched by his deliberate reformation of the Group as the Knowledge Bank.

Nine months prior to the collapse of the Thai baht in July 1997, Wolfensohn launched the Knowledge Bank idea. By no means abandoning its neoliberal priorities, the Group donned the cloth of the Knowledge Bank, advocating knowledge management as the *sine qua non* to the fostering of economic growth. It even introduced the idea of knowledge-based economies (KBEs).

Wolfensohn envisioned the Knowledge Bank as part of a “global commons”, or a global partnership whereby the Group would share its knowledge and experience with its member countries and development agencies, building worldwide capacity and knowledge reserves (Wolfensohn, 1996, 14; Phillips, 2009, 71). Former World Bank Chief Economist Joseph Stiglitz supported his vision. Providing the Keynote Address at the 1997 *Development Economics Conference*, Stiglitz concluded that the Group ‘had a distinct advantage in gathering information and producing knowledge about successful … practices and policies. Knowledge is an international public good that will be undersupplied if left to the market’ (1998, 26). The Knowledge Bank idea was a declaration by the Group that it was the global knowledge hub for development (McFarlane, 2006, 291); it knew what “development” was and how best to achieve it, a reflection of its current neoliberal meta-paradigm.

Wolfensohn was not the first to contend the value of Group knowledge. Preston had realised its importance much earlier in 1993: ‘Knowledge and ideas are critical to development. We need reliable data to inform us about how we are doing and analysis to determine which policies succeed … The problem is that we don’t yet have all the knowledge we need to address some of the major challenges before us … We need constantly to replenish and sharpen our knowledge base’ (cited in Parker, 2000, 233). While not the first, Wolfensohn was responsible for creating the Knowledge Bank idea.

The 1997 and 1998 *World Development Reports – The State in a Changing World* and *Knowledge for Development* clearly narrated the alleged need for good governance and knowledge. The 1997 Report proposed a rethink on
the role of the state. It argued that sustainable development was impossible without an efficient, transparent state. It also argued that states should not replace markets, but complement them; states needed to intervene in those (rare!) situations where markets fail (World Bank, 1997b). The 1998 Report established a practical framework under which to pursue the rhetoric of the Knowledge Bank idea (World Bank, 1998b). These reports encapsulated Wolfensohn’s agenda prior to the introduction of the CDF in January 1999. They aligned to the belief that not only was “development” failing because of the absence of accountable, transparent governance and a lack personnel skills, but also that the Group held the answers to the development puzzle. As the Knowledge Bank, the Group sought to legitimise its intellectual base, which concluded that “development” entailed becoming a liberal democracy.

Technical Assistance for Governance and Knowledge

“Capacity building” became a common phrase during the era of governance and knowledge. In early 1995, just prior to Wolfensohn’s appointment, fifty-two percent of all World Bank technical assistance components supported capacity building, the rest being divided between implementation support (forty-one percent) and policy support (seven percent) (World Bank, 1995c, 39-40). The Wolfensohn era further expanded the role of capacity building. Wolfensohn defined capacity building as ‘training the government officials or professionals to give you an infrastructure of people that can run the country’ (World Bank, 1997c). By providing training, the World Bank was thus attempting to change mindsets, pursuant to particular understandings of what “development” meant, rather than simply persuading policy reform.

Support for capacity building underpinned the Knowledge Bank idea, as the World Bank concluded that developing countries were failing to “develop” because of ‘a lack of systematic knowledge building and decline in knowledge creation, a lack of expertise, and an underinvestment in training’ (Phillips, 2009, 97). Developing countries thus did not have the necessary knowledge and skills to develop in the “correct” way, or so the World Bank argued. Capital markets development, market building, privatisation, civil service and judicial reform, and social protection initiatives were the main pursuits of capacity building (World Bank, 1996a, 67; World Bank, 1998a,
While Wolfensohn era technical assistance was quite similar to the Preston presidency, it went further in attempting to change mindsets. The renewal of the World Bank as the Knowledge Bank influenced this approach, with capacity building now being used to project neoliberal common sense.

As a caveat to capacity building, and as the main challenge facing software since the 1980s, concerns persisted over the less-than-satisfactory success rates of soft technical assistance. This led to yet another round of internal performance reviews. From these internal reviews emerged innovative tools of analysis, including the adoption of new indicators and the implementation of new quantitative and qualitative yardsticks (World Bank, 1996a, 42). The World Bank was now applying performance indicators to assess the results of technical assistance components, which did not happen during the 1980s.

As a percentage of World Bank development assistance, technical assistance remained at ten percent annually. While TALs declined from US$362 million in 1996 to US$238 million in 1998, the operations of the PPF, SPPF, and IDF and reimbursable technical assistance continued as under the Preston era. In addition, UNDP-financed projects declined to the point of abandonment, existing instead as an informal dialogue between the two institutions (World Bank, 1996a, 42; World Bank, 1997a, 91; World Bank, 1998a, 62 and 188).

TALs committed during the late 1990s reflected many of the trends of the Preston era. Ranging from Sri Lanka to Georgia, from Malawi to Indonesia, and from Niger to Macedonia, World Bank TALs focused upon banking sector and regulatory reform, corporate restructuring, deregulation, privatisation, public sector efficiency, legal framework modernisation, and pension reform (World Bank, 1999, 155-185). Despite the rhetoric, the World Bank had not lost its neoliberal edge. TALs also underwent a comprehensive review, with a study of 150 active and 190 completed TALs dating back to 1986. It found that despite early failings, the future looked promising as the World Bank exercised greater selectivity in TAL construction (World Bank, 1998a, 105).

Following the rhetoric of the cancer of corruption, TALs began increasingly addressing good governance. The World Bank now deemed governmental corruption to be a symptom and a cause of institution and human resource
deficiencies. The Mongolian *Fiscal Accounting Technical Assistance Project* was an example of a TAL pairing good governance with neoliberal reforms (Mongolia, 1998). The purpose of the TAL was to improve the accountability of the national government and to set up an effective revenue mobilisation system for the Ministry of Finance and the Bank of Mongolia. A review of the TAL commented that following the establishment of the newly democratic Mongolia in 1990, the country underwent a period of “shock therapy” in its drive towards becoming a market-based system. To support these changes, the IDA argued that ‘one of the prerequisites for the country is an effective public administration to manage efficiently its public resources’ (World Bank, 2006b, 1). The TAL provided consultants to improve governmental accountability and transparency via the design and implementation of a financial management system, an attempt to quash public sector corruption.

The World Bank provided a vast range of TALs to its member countries, all of which reflected its market-centric mentality. TALs to Croatia, El Salvador, Gabon, Honduras, Madagascar, Mexico, and the Republic of Congo targeted financial sector reform, privatisation, regulatory capacity, and public sector modernisation, which epitomised Wolfensohn era soft technical assistance.

The four privatisation TALs – to the Congo, Croatia, Gabon, and Mexico – all pursued near identical objectives through similar means. These TALs held provisions that (Congo, 1995; Mexico, 1995; Croatia, 1996; Gabon, 1997):

- Developed sound legal and regulatory frameworks for privatisation;
- Helped governments choose policy options for privatisation reform;
- Reduced institutional impediments to privatisation in various sectors;
- Assisted the liquidation of non-viable public sector enterprises;
- Recruited consultants to guide policy and strategy construction and directly assisted the marketing and sale of public sector enterprises;
- Built media campaigns to educate potential stakeholders and the public as to the financial and social benefits of privatisation; and,
- Trained journalists to report more capably on financial processes.

The above provisions were committed to changing mindsets and structures, thereby reorienting the economic, political, and social environments of their
recipients towards accepting the free market. Studies, analyses, advisory and consultation services, training, and direct involvement in privatisation sales aided this reorientation. The World Bank was thus attempting to “sell” neoliberalism to officials, the media, and the public, while at the same time creating structures to secure the acceptance and adoption of neoliberalism.

The El Salvadoran, Honduran, and Madagascan TALs sought to “modernise” the public sector, while building the capacity and developing the potential of the private sector (El Salvador, 1995; Honduras, 1996; Madagascar, 1997). On the one hand, “modernising” the public sector involved formulating and implementing modern (read: neoliberal) governance networks, introducing private sector participation to the delivery of public sector services, and developing advanced systems of financial management. On the other hand, building the private sector came through business environment reforms and incentives, divestiture programs, “business friendly” tax reforms, financing for technological upgrades to improve productivity and competitiveness, and helping create consensus between the public and private sectors. Similar to the above privatisation projects, these TALs were designed to not only foster greater market reliance, but also attune mindsets to neoliberal ideas.

The private sector provision of infrastructure (PPI) became a new approach to neoliberal adjustment during the 1990s, one that would later underpin the mainstream discourse during the 2000s. The World Bank approved 138 PPI operations during the mid 1990s, including ‘adjustment loans for policy reform, technical assistance, wide-ranging investment operations, and guarantees’ (World Bank, 1996a, 63). Technical assistance components and stand-alone projects supported World Bank PPI operations, including the design and the implementation of ‘stable, comprehensive, and consistent legal and regulatory frameworks for PPI, striving to ensure the sustainability of reforms undertaken’ (World Bank, 1996a, 64). Argentina, Bolivia, the Congo, Mexico, Peru, Ukraine, Venezuela, and Yemen were notable examples of member countries receiving technical assistance to support PPI operations. Increasingly, the World Bank was turning to the private sector as the principal actor in national and sub-national development programs. Wolfowitz and Zoellick would later expand upon this during the late 2000s.
The EDI – soon to be restructured and relaunched as the WBI in 1999 – remained the meter gauging the developmental imperatives of the Group. Working under the conviction that ‘knowledge is often the key ingredient in advancing social and economic development’ (World Bank, 1996a, 151), it followed the axiom of ‘investing in ideas and people’ (World Bank, 1995c, 124). In addition to coordinating and conducting conferences, workshops, and seminars, the EDI began utilising video presentations, teleconferencing, Internet-based programs, and CD-ROMs. The use of these technological advancements led to 7,000 people being directly and 20,000 people being indirectly involved with its learning activities in 1999 (World Bank, 1996a, 151). Its curriculum at the time prioritised good governance, privatisation, macroeconomic management, environmental sustainability, and poverty alleviation. By becoming more easily accessible, the ideas the EDI projected were (arguably) becoming more easily understood, accepted, and adopted.

In summary, the above section detailed the turn of the World Bank and its subsidiaries towards the provision of capacity building initiatives. While the themes of the Wolfensohn era were synonymous with those under Preston, the rationale behind technical assistance became more invested in changing mindsets and less so upon simply persuading policy change. The creation of common sense in recipients’ minds was preferable to simply shaping policy.

The Private Sector Arm in a Globalised World Economy

“Globalisation” was an oft-referenced term under Wolfensohn. In particular, the private sector arm of the Group actively attempted to draw connections between neoliberal globalisation and the rapid growth of the private sector:

The world was a different place 40 years ago. No one spoke of emerging markets. There was no worldwide trend toward privatisation, no communications revolution, no globalised economy. World population was less than half of what it is today. The economies of poor countries were still in very early stages of development, lacking the human resources, physical infrastructure and sound institutions needed to raise incomes and improve living standards. The responsibility for development was almost universally assigned to the public sector. Private ... investment in developing countries was small, and not much thought was given to increasing it (IFC, 1996, 9).
In this context, the IFC not only underwent an organisational restructuring to increase its efficiency and market-responsiveness, but it also developed four guiding principles that defined its activities until the end of the decade:

- Business principle: a business-in-partnership with the private sector;
- Honest Broker principle: drawing together investment opportunities;
- Catalytic Role principle: facilitating and mobilising investment; and,
- Special Contribution principle: contributing to ensuring investment.

IFC technical assistance served the honest broker and catalytic principles, with its emphasis placed upon PPI, capital markets development, corporate restructuring, and privatisation to attract new investment opportunities and improve governance (IFC, 1996, 6 and 14). The privatisation of government services and state assets was particularly important, being described by the then Manager of the Corporate Finance Services Department Reyaz Ahmad as the niche role of the IFC’s technical assistance portfolio (IFC, 1998, 16).

There was a strong demand for the advisory services of the IFC, with the affiliate approving more than one hundred projects annually. To illustrate, 137 projects were committed to seventy-three countries in 1998, directed towards FDI, PPI, privatisation, private sector policy advice, small- and medium-enterprise assistance, and project preparation (IFC, 1998, 83-91). In addition to stand-alone projects, its technical assistance portfolio was divided between the Corporate Finance Services department (specialising in privatisation), the Environment Division, its project development facilities, the TATF program, the FIAS, and the Emerging Markets database, which offered financial statistics and indices on emerging markets (IFC, 1988, 13).

The MIGA tackled a large degree of international capital market volatility during the mid to late 1990s. Entering the Wolfensohn era during the 1995 Mexican Peso Crisis, which the 1997 Asian Financial Crisis soon followed, the role of the MIGA grew by providing political risk insurance and technical assistance, acting as a “neutral broker” catalysing stable private investment flows into its member countries. In the pursuit of its mission, it provided guidance to the orientation of emerging democracies to market economies.
The basis of MIGA technical assistance concerned the effective promotion of private investment opportunities, as compared to the broader mandates of the IBRD, IDA, and IFC. National governments and investment promotion agencies were its primary recipients, receiving capacity building initiatives (including investigative missions, investment promotion skills training, and sector and strategy review workshops), support for investment promotion, and the dissemination of investment opportunity information (MIGA, 1997, 44). Following the World Bank’s lead in stressing the importance of capacity building, the MIGA highlighted three factors associated with the growth of FDI during the 1990s: growing opportunities in states undergoing domestic economic reform and privatisation, intensifying pressures from international competition, and expanding possibilities for market access because of global trade liberalisation (MIGA, 1996, 10-11). In this context, the MIGA was dedicated to encouraging market-led growth via capacity building initiatives.

In addition to its normal advisory projects, the MIGA also established a suite of Internet websites and online portals. IPAnet, the Investor Tracking System, and PrivatisationLink effectively served to disseminate information on private investment and the private sector at minimal cost to recipients. IPAnet, an ‘Internet-based information exchange, communications network, and marketplace’ (MIGA, 1996, 7), held a membership of 15,000 registrants from 185 countries in 1999. Through an online portal in IPAnet, registrants could access PrivatisationLink, which collated ‘information about investment opportunities arising from privatisation of state-owned enterprises’ (MIGA, 1998, 32). Launched in June 1998, PrivatisationLink initially listed investment information on more than one hundred company profiles from twenty-five countries. Its online services clearly favouring market-led growth and privatisation, the MIGA was actively promoting itself (and, by extension, the Group) as the embodiment of the Knowledge Bank idea. The fact that its Internet websites were sources of data voluntarily accessible by member countries added persuasiveness to its neoliberal message. Unlike loan and credit conditionalities, these websites were not coercive, but rather appeared to provide objective facts obtained through scientific investigation.

The FIAS maintained its technical assistance program, attempting to attract more – and more productive – FDI into its developing member countries. By
1998, the FIAS had cumulatively undertaken 286 advisory projects in 108 countries, nearly half of which were low-income countries (IFC, 1998, 21). Regulatory reform, investment incentives and promotion, and data systems were its main interests, intended to attract investment to the private sector in its member countries, which contributed to securing its niche role as the leading specialist in private investment technical assistance (FIAS, 2000, 4).

The private sector arm of the Group had established itself as a catalyst for private investment in the globalised world economy by providing financial assistance, insurance mechanisms, and capacity building initiatives aligning recipients to the free market. Similar to the World Bank, the IFC, MIGA, and FIAS attempted to create neoliberal common sense mindsets, rather than simply persuading policy change. Supporting the Knowledge Bank idea, the private sector arm of the Group continued to legitimise neoliberal “truths”.

The themes of the cancer of corruption and the Knowledge Bank epitomised the agenda of the Wolfensohn presidency during the mid to late 1990s. A dramatic event was however about to begin, one that would undermine the authority of the Group’s neoliberal “truths”: the 1997 Asian Financial Crisis.

**The 1997 Asian Financial Crisis**

The 1997 Asian Financial Crisis was a period of financial crisis afflicting the Southeast and East Asian regions. It began as a crisis affecting currencies, real estate values, and stock prices, but soon spread to become a region-wide epidemic, increasing poverty levels, exacerbating social issues, and even leading to ethnic violence. In July 1997, the Bank of Thailand ended the peg of its currency – the baht – to the American dollar because of speculative attacks by international investors. Its floating exposed the severe overextension of the currency, leaving Thailand, which was already struggling with an unserviceable foreign debt burden, in a crisis of liquidity and near bankruptcy. The Thai stock market quickly dropped by seventy-five percent and the baht lost half its value. This triggered a chain of speculative attacks upon the currencies of Thailand and its neighbours. By October 1997, the crisis had begun, leading to currency devaluations and recessions throughout the region. Through contagion panic, private
investors fled, which worsened the economic downturn into a social crisis (MacDonald, 1998, 694; Laurence, 1999, 363; Heo and Kim, 2000, 499; Kawai, 2000, 8; Cho, 2001, 159; Ito, 2001, 78-79; Williamson, 2004, 822). Indonesia, Thailand, and South Korea were the three most affected countries, followed by Hong Kong, Malaysia, and the Philippines. Vietnam, China, and Singapore were less directly affected, but they still suffered due to investor uncertainty in the financial and trade systems linking the region.

Analyses of the Asian Crisis emerged along a spectrum. While it is a fallacy to conclude that it resulted from any single factor, it is useful to identify the ideological bases at play. Broadly speaking, there were two main streams of interpretation: an internal weaknesses stream and an external volatility stream. To the former, weak economic fundamentals in the financial and corporate sectors, clothed by cosmetic liberalisation measures without adequate regulatory structures, had exposed rigid systemic faults (Stiglitz, 1999a, 150; Change and Velasco, 2000, 28; Noland, 2000, 402; Cho, 2001, 159; Harvey, 2005, 97; Park, 2006, 34). To the latter, an increase in financial liberalisation measures fostering cross-market linkages and intraregional economic interdependence had created an environment vulnerable to the volatility of international capital flows and contagion panic (Forbes and Rigobon, 2002; Harvey, 2005; Khan, Islam and Ahmed, 2005).

The internal weaknesses stream arose from evaluations by the IMF, the Group, the United States Treasury Department, and others of the neoliberal church. These voices argued that while the Asian countries were pursuing neoliberal reforms, their economies were being slowly eroded by corruption (i.e., distortive relationships between the public and private sectors), moral hazard, and weak economic fundamentals (Demetriades and Fattouh, 1999, 781; Heo and Kim, 2000, 506; Noland, 2000, 402; Campbell, 2001, 261; Hsiao and Hsiao, 2001, 356). These elements came together to create an unsustainable lending boom, which led the afflicted to become highly illiquid during the mid 1990s. Given the intimate relationships between politicians, bureaucrats, and businesses, the internal weaknesses stream argued that moral hazard arose from the belief that governments would guarantee all loans. This led to excessive risk-taking behaviour by the private sector, increasing the fragility of their banking systems. When the ability to honour
loan guarantees was questioned, capital began to flow out, and the crisis erupted (Laurence, 1999, 350-351; Makin, 1999, 673; Demetriades and Fattouh, 1999, 783; Mishkin, 1999, 11-12; Knight, 2000, 195). The internal weaknesses stream thus criticised the Asian economies as “rotten”, stunted by crony capitalism, moral hazard, and weak banking and financial systems.

Pursuant to the internal weaknesses stream, the response of the IMF was to prescribe further neoliberal reform. Instead of providing liquidity to troubled banks, it called for the neoliberal restructuring of the economic, financial, and banking systems of the afflicted countries. These austerity measures demanded fiscal discipline, currency devaluations, high interest rates, bank closures, and further privatisation, the main purpose of all of which was to ensure fiscal contraction and the greater exposure of their economies to market forces (Garran, 1998, 14-15; Jomo, 1998, 21; Radelet and Sachs, 1998, 24; Webber, 2001, 4; Khan, 2004, 67). It has been argued, however, that these neoliberal austerity measures exacerbated the crisis, prompting the flight of capital, eroding social safety nets, and worsening conditions (Radelet and Sachs, 1998, 25-26; Harvey, 2005, 97-98; Stiglitz, 2006, 35).

The external volatility stream saw the Asian Financial Crisis as self-fulfilling. Rather than focusing upon internal deficiencies, this view turned towards the unpredictability of unregulated international investment and contagion crises, coupled with rapid and poorly implemented neoliberal reform, arising in the absence instruments preventing the sudden retreat of highly mobile capital investment (Stiglitz, 1999a, 1509; Demetriades and Fattouh, 1999, 779; Cai, 2001, 18; Cho, 2001, 159). The external volatility stream regarded the Asian Crisis as self-fulfilling because whether crises occur becomes dependent upon the expectations of investors. If investors predict negative outcomes (whether founded or not), then speculative attacks on a currency may result, leading to the actual devaluation of the currency. There has been increasing agreement that reversible capital flows in Southeast and East Asia were the main cause of the crisis, aggravated by the now widely accepted conclusion that the financial systems of the region did not adapt well to rapid liberalisation. The bank-based financial systems were vulnerable to the decline in loans as investor confidence plummeted.
The Response of the World Bank Group

The Asian Crisis was a symbolic high and low point for the Group. It was a high point because its committed annual lending operations reached a five-decade peak, only later surpassed during the 2008 GFC. The presented solution to the crisis was the pledging of US$16 billion to assist neoliberal reforms in Indonesia, Thailand, and South Korea, guiding the stabilisation and adjustment of their financial, corporate, and banking sectors (World Bank, 1998a, 23-27). This can be seen in terms of structural adjustment lending, the main instrument used in response to the crisis. Between 1995 and 1997, adjustment lending averaged US$5 billion each year. This figure doubled to US$11 billion in 1998, rose to US$15 billion in 1999, and then returned to US$5 billion in 2000 (World Bank, 2008k). The Asian Crisis was thus a high point as its lending operations reached an unprecedented level.

As a low point however, the Group received harsh criticism for its failure in predicting the outbreak of the crisis, for the perceived mismanagement of its handling, and for allegations that its severity was in part exacerbated by a reliance on neoliberal austerity measures. While managing to deflect some criticism, with Wolfensohn and Chief Economist Joseph Stiglitz turning against the IMF by questioning the efficacy of capital account liberalisation (Wolfensohn, 2006, 84), criticisms remained. Despite record lending levels, the 1997 Asian Financial Crisis was also a symbolic low point for the Group.

Epitomising the Group’s response were several large IBRD loans committed to Indonesia, Thailand, and South Korea. These loans targeted the same major sectors and followed the same central themes: corporate, economic, and financial reform. The prescribed neoliberal austerity reforms received a lot of criticism however. This led the World Bank, after determining that its initial response increased domestic turmoil by worsening unemployment levels and collapsing social safety nets, to include substantial safeguards to mitigate the social impact (IFC, 1998, 30; Sandström, 1998; Shirazi, 1998; Wolfensohn, 1998, 7; World Bank, 1998a; Gragnolati, 2001, 20). As Jean-Michael Severino, the former World Bank Vice President of the East Asia and the Pacific Division, remarked in the immediate wake of the crisis, the three main issues requiring attention were fixing the microeconomy, maintaining
the pace of social reform, and reducing government corruption (World Bank, 2000a, x). These issues reflected the agenda of the Wolfensohn presidency.

Indonesia received three loans totalling US$2 billion: the Policy Reform Support Loan Project (1998), the Policy Reform Support Loan Project (02) (1998b), and the Social Safety Net Adjustment Loan Project (1999c). These were deemed to be complementary. While the third project was a response to mitigate the social impact of the former two, the Policy Reform Support Loan Projects, as well as the Corporate Restructuring Technical Assistance Project (1999a) that financed accountants, lawyers, and bankers to guide the reform process, were focused upon restructuring the economic base of the country along neoliberal lines. Technical assistance was used to develop institutional capacity and to monitor the transparency of the reform process. These projects were designed to further liberalise the Indonesian economy.

Thailand received five loans: the Financial Companies Restructuring Loan (1997), the Economic and Financial Adjustment Loan (1998a), the Social Investment Project (1998b), the Economic and Financial Adjustment Loan Project (02) (1999a), and the Public Sector Reform Project (1999b). Similar to Indonesia, these loans supported neoliberal stabilisation and adjustment, with only the Social Investment Project addressing social safety nets and protecting welfare services. The loans provided technical assistance to guide legislative reform, notably the drafting of bankruptcy and foreclosure laws. Software was used to facilitate the abandonment of “inefficient” companies.

South Korea received the largest financial commitment the IBRD provided during the crisis. Approved were four loans: the Economic Reconstruction Loan (1997), the Structural Adjustment Loan Project (1998a), the Financial and Corporate Restructuring Assistance Project (1998b), and the Structural Adjustment Loan Project (02) (Second Series) (1998c). Far more so than Indonesia and Thailand, the austerity measures prescribed to South Korea were incredibly stringent. As an example, technical assistance included in the four loans introduced measures to establish greater fluidity in the labour market, particularly in terms of “ease of worker dismissal”. In the midst of a destructive financial crisis, the IBRD pushed hard to ensure the free market took control of the South Korean economy. Unlike the assistance provided
to Indonesia and Thailand, these loans did not protect or support social safety nets, just the further alignment of the economy to neoliberal norms.

The financial and technical assistance provided to Indonesia, Thailand, and South Korea very much reflected the internal weaknesses stream, to the conclusion that these countries needed to liberalise their economies further. However, commentators quickly condemned the severity of the prescribed neoliberal austerity measures as exacerbating the regional crisis. As such, the Group and its neoliberal base suffered unprecedented levels of criticism.

In the wake of the Asian Crisis, the Group attempted to distance itself from the heavily criticised Washington Consensus. Adopting a “comprehensive” approach, Wolfensohn launched the CDF. This turn illustrated the possibility of a paradigm shift following a destructive crisis in the world economy. As Kanishka Jayasuriya and Andrew Rosser argued, the Asian Crisis ‘led to a serious ideological crisis in the West’ (2001, 382). The Group thus began to entertain the revised neoliberal tenets of the post-Washington Consensus.

**Conclusion**

By 1999, the collapse of the Soviet Union and the end of the Cold War were distant memories. Out of the vacuum where communism once stood, the mainstream development discourse was able to disseminate economic and political liberal capitalist ideals, championed by the United States. Yet, from this sprang a decade of uncertainty and instability, culminating in the then most confronting challenge to neoliberalism: the 1997 Asian Financial Crisis.

The Group was not isolated from these developments. Advocating political liberalisation as a companion to financial liberalisation, the Group expanded its mandate, its mission, and its assistance into areas previously thought to be taboo. Through its delivery of technical assistance, it built new ways of projecting and legitimising the evolving neoliberal development discourse, with capacity building being used to change mindsets, pursuant to its ideas of what “development” meant, rather than simply persuading policy reform. The Group was training government officials the “correct” way to “develop”.

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Yet, its neoliberal house of cards collapsed during the Asian Financial Crisis. The Group consequently attempted to renew its meta-paradigm and cleanse its tarnished legitimacy. The CDF, as the focus of Chapter Seven – The Knowledge Bank 2.0, became a means to dissuade its ideological self-doubt and to convince others of the legitimacy of the post-Washington Consensus.
Chapter Seven
The Knowledge Bank 2.0
1999 to 2010

For the Group, the 1997 Asian Financial Crisis induced a period of self-crisis and uncertainty in its developmental faith. Unprecedented levels of criticism were challenging the neoliberal agenda it had pursued since the 1980s. Not only had the Group been surprised by the crisis (a failing it shared with the IMF), but among those affected were the East Asian “miracle economies”, lauded by the Bretton Woods institutions as seminal examples of successful neoliberal reform (World Bank, 1993a; Corbett and Vines, 1999, 95; Öniş and Şenses, 2005, 274; Seabrooke, 2007, 250; Broome, 2008, 125). While criticisms had emerged with growing intensity over the decade prior, the failures to foresee, diagnose, and resolve the crisis undermined not only the Group, but also market fundamentalism. Given its untenable position, the Group sought to reinvent itself, thereby reaffirming its tarnished legitimacy.

In the wake of the Asian Crisis, the Group began to distance itself from the rhetoric of the Washington Consensus. It turned towards a “comprehensive” approach to development assistance known as the CDF. Underpinning this was the growing resonance of the reformist ideas popularised as the post-Washington Consensus, or the attempt to amalgamate neoliberalism with sound governance institutions, regulatory structures, and social safety nets. In rhetoric at least, the Group was changing, losing its hard neoliberal edge.

Wolfensohn led the charge in this reformist direction. Introduced in January 1999, the CDF was his invention, one that defined the 2000s with its focus on finance and macroeconomics, trade and the private sector, sustainable development and poverty alleviation, and good governance, empowerment, and inclusion. Building upon the foundations of previous decades, the Group introduced a new social agenda. The centrepiece of Wolfensohn’s second term was a broadening of the market-based approach of his predecessors to acknowledge and incorporate the importance of strong state institutions to filling-the-gaps where free markets (often!) fail to deliver equitable results.
The presidencies of Paul Wolfowitz (June 2005 to June 2007) and Robert Zoellick (July 2007 to June 2012) furthered the promotion of the CDF. The two most recent presidents prior to the appointment of incumbent President Jim Yong Kim in July 2012, both maintained yet respectively augmented Wolfensohn’s agenda with their own translations of neoliberal development.

Technical assistance similarly underwent significant change. In addition to mirroring the emergent post-Washington Consensus, the 2000s saw Group advisory services increasingly disbursed via information and communication technologies (ICTs), notably the Internet and the “Virtual World”. The Group became the Knowledge Bank 2.0, providing developing countries the means to pursue neoliberal development through the easily accessible information contained in its online resources. Consequently, Group technical assistance arguably underwent a conceptual evolution. Moving far beyond the simple dichotomy of hardware and software, what emerged was “knowledgeware”.

Tenaciously recreating itself as the Knowledge Bank, hardware and software became antiquated labels for its technical and advisory services. The Group of the 2000s was no longer simply offering training and instruction through surveys, consultants, and policy reform. It was now providing knowledge-as-truth, delivered through a variety of mediums. It became a library, an encyclopaedia, a reservoir openly accessible to all. Reinforcing an adaptive version of neoliberalism, knowledgeware became a new way for the Group to construct, project, and legitimise the mainstream development discourse.

**Challenges and Change**

Three notable developments influenced the Group during the early 2000s. The first, which had a substantial negative impact on global growth, was the 2003 invasion of Iraq, compounding the uncertainty caused by the earlier invasion of Afghanistan and the terrorist attacks of 11 September 2001. Following relatively high global growth in 2000, the world economy slowed in 2002. With a slump in investor confidence sparked by war in the Middle East and the threat of terrorism, investment flows declined for the first time in a decade. As oil prices rose in 2003, investor confidence fell even further.
In the context of these conditions, the second development was the launch of the Millennium Development Goals. Driving the mainstream development discourse and proposed to be achieved by 2015, the eight listed goals were:

- Eradicate extreme poverty and hunger;
- Achieve universal primary education;
- Promote gender equality and empower women;
- Reduce child mortality;
- Improve maternal health;
- Combat HIV/AIDS, malaria, and other diseases;
- Ensure environmental sustainability; and,
- Develop a global partnership (United Nations, 2012).

Illustrating their importance, Philip Alston held that the goals ‘have become the single most important focus of international efforts to promote human development and dramatically reduce ... poverty’ (Alston, 2005, 755-756).

The Group was heavily invested in the achievement of these goals. This was clear in a speech made by Wolfensohn in 2002: the ‘Millennium Declaration is the “hymnbook that we are singing now”’ (cited in Mukherjee, 2008, 123). Despite numerous criticisms of the goals (see Fukuda-Parr, 2004, 399 for a comprehensive list, including allegations that the goals are distortive, narrow, hierarchical, and overly optimistic), it was in their pursuit that the Group supposed a connection between markets and its latest social agenda.

The third development was the highly controversial International Finance Institution Advisory Commission, also known as the Meltzer Commission. Established in November 1998 by the United States Congress and named for its Chair – Professor Alan Meltzer, it was introduced as part of legislation authorising US$18 billion in funding for the IMF, but was later expanded to examine the effectiveness of several financial institutions (including the Group) and the impact of recent regional crises on global financial markets.

On 08 March 2000, the Meltzer Commission Report was published. Highly critical of the IMF and the Group, it recommended that they be reduced and restructured, arguing that the private sector had overtaken their roles
It additionally proposed that the Group should cease lending operations, that it should focus on producing knowledge as a global public good, that the IFC should be integrated into the World Development Agency (as the World Bank should be renamed), and that the MIGA should be abandoned altogether (Meltzer, 2000). The Group would have become unrecognisable.

For many within the Group, the report was a partisan attempt to undermine the Bretton Woods institution. As Wolfensohn commented in a 2000 Washington Post article, ‘We believe that a number of the commission’s proposals are based on a fundamental misreading of the development challenges we face today. Poor people in developing countries will be the losers if these proposals are implemented ... No other organisation is doing this work on a global scale ... [The] report bases much of its argument on a distorted use of statistics on Bank effectiveness’ (2000). In addition to its ideological self-doubt, many people regarded the Group in a negative light.

**The Comprehensive Development Framework**

Emerging from the wreckage of the 1997 Asian Financial Crisis, and some several months prior to his second term appointment in September 1999, Wolfensohn publicly introduced the CDF on 24 January 1999 in Abidjan, Côte D’Ivoire. An internal memorandum to the Board of Executive Directors preceded this on 21 January 1999. In his words, the CDF ‘highlights a more inclusive picture of development. We cannot adopt a system in which the macroeconomic and financial are considered apart from the structural, social, and human aspects, and vice versa’ (World Bank, 2005b, 132). An attempt to distance the Group from its response to the Asian Crisis and the dictates of the Washington Consensus, the CDF called for development agencies to move beyond individual projects and adopt a far more holistic approach to improve the effectiveness of financial and technical assistance (Vetterlein, 2012, 42). A turn against the conditionality approach that had persisted since the early 1980s, it was the culmination of what Wolfensohn had been striving towards since introducing the Strategic Compact in 1996. Bolstered by the Knowledge Bank idea, good governance, and the post-Washington Consensus (Pender, 2001, 407; Mallaby, 2005, 236; Engel,
the Group entered a period of renewal, garnering new support from many of its previously disenfranchised developing member countries.

The CDF became the clearest example of the post-Washington Consensus in Group rhetoric and practice. It balanced the market with the need for sound governance institutions, thus moving beyond the market fundamentalism that arguably exacerbated the Asian Crisis. As a caveat however, the new agenda of the Group did not suddenly emerge. While Wolfensohn proposed the CDF, a slow movement away from market-centricism had been building since the early 1990s with the introduction of good governance reforms. Wolfensohn simply took the concept further by focusing more specifically on popular participation in development programs (Cammack, 2004, 202-203).

Indicative of the turn towards the CDF, the World Bank replaced adjustment lending with development policy lending in August 2004. While not a major break from the 1980s, it was at least a symbolic change in its approach to development assistance. As Joseph Stiglitz observed, the CDF was an acknowledgement that ‘there is no single road to development’ (2001, 13).

Development policy loans (DPLs) not only replaced structural and sectoral adjustment lending, but also unified policy that applied to a range of lending instruments. Designed to disburse emergency finance rapidly, DPLs guided policy and institutional actions, improved investment climates, strengthened governance sectors, created employment opportunities, modernised education programs, built social safety nets, and developed frameworks to help countries adapt to climate change (World Bank, 2009a, 2; World Bank, 2009c, 9). Notably, as the main contrast to adjustment lending, DPLs were foremost concerned with strengthening country ownership of development programs and of enhancing the predictability of donor funding. The culmination of two years of consultation with governments, community and civil society groups, academics, and private sector representatives, development policy lending epitomised the practical turn towards the CDF, recognising the interconnections between the political, economic, and social.

The following list of DPLs committed during the Wolfensohn, Wolfowitz, and Zoellick presidencies to Brazil, Egypt, Indonesia, Pakistan, Poland, and
Turkey reveal the main issues tackled during the 2000s (Indonesia, 2004; Pakistan, 2005; Egypt, 2006; Turkey, 2006; Brazil, 2008; Poland, 2008):

- Maintaining macroeconomic stability;
- Supporting measures to reduce debt burdens;
- Enhancing investment climates;
- Reducing costs to businesses;
- Building competitive and sound banking systems;
- Improving public finance management and disclosure;
- Strengthening transparency, accountability, and anti-corruption laws;
- Preventing the use of banking systems for money laundering;
- Increasing the efficiency and reducing the costs of health services;
- Improving public services for the poor; and,
- Reducing social security imbalances.

As such, the above issues addressed during the 2000s saw an equal focus on neoliberal financial adjustment, good governance, and social protection.

The Polish Public Finance Management, Employment, and Private Sector Development Programmatic Policy Loan (2008), a US$1.3 billion IBRD loan, illustrates DPL technical assistance components. The loan included studies on the linkages between public finances and labour supply, a social policy analysis, consultation to modernise pensions and social assistance systems, support to implement business regulatory conditions pursuant to the Polish Doing Business Report, privatisation measures, a value audit of regulatory barriers, and knowledge-sharing on health sector reform and health insurance competition (Poland, 2008). The technical assistance components of this DPL clearly epitomised the tenets of the post-Washington Consensus.

The introduction of the Poverty Reduction Strategy Paper (PRSP) framework in 1999 followed the launch of the CDF. A collaborative endeavour between the Group and the IMF, the PRSP framework was designed to integrate the challenges of poverty and debt alleviation in heavily indebted countries. The framework emphasised the principles of comprehensiveness (beyond simple income classifications to include empowerment, opportunities, capabilities, and security), country-ownership, participation, partnerships, and results
(Dijkstra, 2005, 443-444). These tenets defined the CDF under Wolfensohn. Despite the rhetoric however, many commentators (see Craig and Porter, 2003; Lazarus, 2008; Kamruzzaman, 2009) regarded the PRSP framework as just another agenda formalising the understanding of poverty alleviation projected by the Group. In addition, an internal review conducted by Meera Shekar and Yi-Kyoung Lee (2006, 23) concluded that ‘the strategies and actions included in the PRSPs often do not reflect an appropriate response’ to the understandings of poverty delineated as part of the PRSP framework.

While many World Bank staffers were sceptical of the CDF as just another fad (Oestreich, 2004, 70; Stiglitz, 2005, 150), and although Antje Vetterlein described its practical implementation as ‘not fully thought out’ (2012, 42), it was nevertheless a clear articulation of the post-Washington Consensus in Group rhetoric and practice. The CDF stands out as the main contribution of Wolfensohn to the Bretton Woods institution, a legacy that remains today.

**Knowledge-Based Economies**

“Empowerment” linked the CDF to the Knowledge Bank idea, KBEs, ICTs, and the Virtual World. The concern was for enabling developing countries to develop on their own, to enter into equal partnerships, and to take control of their own destinies. As the *World Bank Annual Report 2003* commented, empowerment ‘ensures that all people have the ability to shape their own lives’ (World Bank, 2003c, 12). As a result, building KBEs became a major focus of the CDF during the 2000s. KBEs were based upon investing in a country’s technological infrastructure and its knowledge base, regarding the growth potential of that country as relative to its ability to adapt and use ideas, and not its exploitation of raw materials or cheap labour (World Bank, 2000f; World Bank, 2003a). By encouraging knowledge-based growth and by linking KBEs to productivity, innovation, competitiveness, and growth – the hallmarks of neoliberal capitalism, the Group was arguably empowering recipients while reinforcing the standing of the post-Washington Consensus.

Taking Lithuania as a case study, the World Bank published the lengthy and detailed *Lithuania: Aiming for a Knowledge Economy* (2003), which charted the Baltic state’s turn towards becoming a KBE. Observing the interplay
between the national government, the business, education, and research communities, and civil society, the report recommended that the Lithuanian strategy should incorporate “inclusiveness and partnerships” (between actors in society), “networking” (joint action towards goals), and “changing mindsets” (rethinking the role of knowledge in the economy). The report concluded that this would lead to greater productivity, innovation, competitiveness, and growth (World Bank, 2003b). Central to becoming a KBE was engagement with the ‘foundations of the knowledge-based world’, (Khalil, Dongier and Qiang, 2009, 3-4), namely ICTs and the Virtual World.

The Development Discourse and the e-Hyphen

A glossary of terms relating to ICTs and the Virtual World began to emerge during this time. ICT was one of the first, used as an all-encompassing idea of hardware and software in networks and media to collect, store, process, and transmit information. Thereafter emerged the e-hyphens: e-commerce (commercial transactions conducted over open networks, i.e., the Internet), e-government (ICTs used to perform governance functions), e-strategies (national information infrastructure strategies), and e-communities (virtual spaces where people discuss common concerns, today considered necessary to managing contemporary issues within civil society) (Hanna, 2007, 1-5).

In terms of “development”, the e-hyphens have been conceptualised as a commodity (used to earn foreign capital), as a support strut in development programs (training and planning), and as a driver of national economies (Sein and Harindranath, 2004, 17-18). The Group clearly recognised their importance, with the IDA alone committing US$1 billion between 1997 and 2009 to support ICT sector reforms and infrastructure investment, which included the promotion of Broadband Internet Networks and the application of ICTs to public sector reform and good governance initiatives (IDA, 2009).

The Group today recognises ICTs and the Virtual World as the sine qua non to ensuring efficiency in the public and private sectors (infoDev, 2011). Whereas the 1980s and the 1990s were decades of financial and political liberalisation, the 2000s was the “ICT decade”. This has caused problems for those attempting to engage with global markets in the absence of ICT
networks, problems aggravated by the worldwide diffusion of neoliberalism. There are consequently large concerns over the ability of many developing countries to utilise online resources efficiently, concerns including access, cost, quality, and infrastructure (Williams, Mayer and Minges, 2011, 9). The “digital divide” emerged; the gap between those – individuals, businesses, communities, countries, and regions – that have access to ICTs and those that do not (Ahmed, 2007, 343). This divide has become a divisive issue in the mainstream discourse because technological deficits prevent developing countries from engaging competitively with the global neoliberal framework.

**The World Bank Group and Its Virtual World**

The computerisation of the Group began in the 1970s, with the purchase of several Burroughs 5500 computers. This would increase to include personal computers by the early 1980s, introduced to assist the collation of lending operation data, and not to improve the development potential of its member countries (Buck and West, 2001, 5 and 23). It was not until the early 1990s however, when the Internet became a viable tool, that the Group began to pay attention to its possibilities. Increased institutional, administrative, and geographical decentralisation spurred its computerisation (Buck and West, 2001, 100). While expanding slowly during the 1990s, ICTs and the Virtual World became vital to its program of development assistance by the 2000s.

Over the course of the 2000s, as an illustration, the IDA began delivering e-projects, a new line of TALs. Two good examples were the *eRwanda Project* (2006) and the *eBenin Project* (2010). Both TALs were designed to improve access to lower cost and better quality ICTs services, as well as to enable the growth of e-government (Rwanda, 2006; Benin, 2010). These projects sought to upgrade the communicative infrastructure of Rwanda and Benin, while utilising ICTs to reform the public sector. The IDA was implementing good governance initiatives through e-government, thereby attempting to persuade Rwanda and Benin to accept and adopt its Virtual World “truths”.

The Group’s engagement with ICTs and the Virtual World since the 1990s has allowed it to mediate ‘the continuing legitimacy of its position within developmental discourse’ (Thompson, 2004, 106). Under this argument, the
Internet has afforded the Group the opportunity to reinforce the legitimacy of its ideas. Through the rhetoric of the Knowledge Bank idea, the CDF, and empowerment, it secured itself as the producer, customiser, and connector of development knowledge (World Bank, 2011b, iv-v). The Group premised this on standardisation, and not just of ICT delivery methods, but the homogenisation of its neoliberal message (Buck and West, 2001, 196). Alex Wilks made the comment, however, that while the Internet has allowed it to publicise its ideas widely, the Internet has also made it possible for small organisations to question its ideational hegemony. Since few can compete with the hardcopy publication of its official documents, the Internet makes it possible for even the smallest organisations to reach a wide readership at low cost (Wilks, 2002b, 329). The Internet has been a blessing and a curse for the Group, both reinforcing and making criticism possible of its “truths”.

The following paragraphs examine the Group’s Virtual World – the WBI and its e-Institute, the Global Development Network (the GDN), the Global Development Learning Network (the GDLN), and the Global Development Gateway, illustrating that while the technology has advanced in astonishing ways, its augmented neoliberal message as unfailingly remained the same. Knowledgeware became a means to disseminate neoliberalism more easily.

The World Bank Institute and Its e-Institute

The economy of the 21st century is knowledge-based. Both the rate of economic growth and its quality will depend on access to, and application of, knowledge. Reducing poverty will take more than investments in physical capital. It will require building human capital by sharing knowledge and experience. Therefore, building client countries’ own capacity for development is critical and the World Bank’s advisory services, knowledge sharing, and learning programs all contribute to this goal. WBI plays a key role in contributing to the achievement of the Bank’s knowledge strategy for helping clients take advantage of the global knowledge economy: Dr. Mamphela Ramphele, Former World Bank Managing Director (WBI, 2001, 8).

The EDI was long the meter gauging the developmental imperatives of the Group. In line with the turn towards adopting the Knowledge Bank idea, the World Bank unveiled the WBI in March 1999. A relaunched version of the
EDI, the WBI surpassed its predecessor’s legacy, taking on special significance during the Wolfensohn, Wolfowitz, and Zoellick presidencies. It maintained the Group’s neoliberal “truths”, with its curriculum consistently promoting financial adjustment and good governance throughout the 2000s.

The WBI was a merger between the EDI (which provided learning services to member countries) and the Learning and Leadership Centre (which provided learning services to Group staffers), thereby creating synergy between external and internal knowledge sharing. Describing itself as ‘the learning arm’ of the World Bank (WBI, 2000f, 7), it supervises the creation of KBEs by designing and delivering training courses, by providing policy advice, and by promoting knowledge networks between member countries.

Under Wolfensohn, Wolfowitz, and Zoellick, the WBI stressed the need for creating, applying, and publicising development knowledge in the fields of economic management, financial and private sector development, market creation, corporate responsibility, human development, poverty reduction, and good governance (WBI, 2008, 17-21). Claiming to build global and local capacity through its courses and seminars, it projected and arguably legitimised the neoliberal development discourse and the Group’s faith in the CDF, combining the economic and financial with the political and social. Attempting to overcome the criticisms suffered during the Asian Crisis, the activities of the WBI were concerned with people, and not abstract systems.

Building upon the technological advances of the past decade, the WBI capitalised on ICTs and the Virtual World to delivery its curriculum. Three principal delivery methods currently divide its activities: face-to-face, video conferencing, and web-based learning. The use of such technologies led to 48,000 participants from 150 countries being involved in 600 WBI activities in 2001. This figure increased to 110,000 participants being involved in 900 activities in 2005, which led to more than 500,000 people having attended its courses since the creation of the EDI in 1955 (World Bank, 2001b, 33; World Bank, 2005c, 56). Through interactive training, online policy advice, and easily accessible knowledge services, the WBI expanded the potential of the Group as the Knowledge Bank and the legitimacy of its neoliberal ideas.
In extension of the aforementioned technological advances, the World Bank e-Institute became an important vehicle as a Virtual World learning and education supplement. Led by the WBI, its establishment in 2011 was an attempt to overcome the budgetary and geographical constraints preventing interested parties from attending the courses and seminars of the WBI. The e-Institute overcomes these problems by making participation possible from homes, offices, classrooms, and Internet cafes. A virtual learning classroom framed under the motto “Connect. Learn. Motivate. Inspire”, the e-Institute caters to government officials, civil society organisations, media outlets, private enterprises, academia, and students, ensuring open access to its broad (yet neoliberal) development knowledge and experience (WBI, 2011).

Between December 2011 and April 2012, the e-Institute’s list of e-Courses was comprehensive. Emphasising the pedagogical principles of multimedia interactivity, practical peer learning, and user-friendly facilitation, it focused upon financial and trade liberalisation, governance efficiency, private sector participation, environmental protection, and social accountability – the post-Washington Consensus writ large. Its focuses aligned to those popularised by the Group – private sector growth, good governance, and empowerment. The ease of access and digestion of its knowledge through these online resources arguably gave credence and legitimacy to its neoliberal message.

The Global Development Network

Launched in December 1999 as a global network operating to provide new perspectives on the challenges of development, the GDN was established by the Group in association with the United Nations, the governments of Japan, Germany, and Switzerland, and several regional development agencies. An acknowledgement of the role of ICTs and the Virtual World to the circulation of development ideas and the pursuit of development goals, including the formulation of e-development strategies, it has contributed to the Group’s incarnation as the Knowledge Bank by promoting the sharing of knowledge as a global public good. Its guiding tenets have been the creation, sharing, and application of development knowledge (World Bank IEG, 2009a, 4-5).
The GDN has played a large role in reinforcing the Group’s Knowledge Bank persona by building regional research capacity, by producing policy research on a global scale, by promoting local knowledge creation, by supporting multidisciplinary research, and by encouraging the sharing of development knowledge with policymakers, academia, and civil society (World Bank OED, 2004b, ix). In addition, it has established and supported several global knowledge outreach initiatives, all under the auspices of the Group, including the teaching and learning programs of the WBI, the GDLN, the Global Development Gateway, and the African Virtual University. Launched to provide new perspectives on development, it has today come to serve the function of providing virtual-technical assistance as a global public good.

While in premise a good idea, the GDN quickly came under scrutiny. The main criticism was that while knowledge was being fashioned as a global public good, the perspectives on "development" taken by these easily accessible resources followed the hegemonic logic of the Group, one that is 'characterised as heavy-handed, top-down, and centrally-driven' (Angelescu and Squire, 2006, 21), and one that 'systematically excludes certain voices and perspectives' (Wilks, 2002b, 327). In line with the neoliberal discourse, the GDN saw “development” as an efficient state supporting free markets.

The Global Development Learning Network

Launched in June 2000, the GDLN is a global partnership established by the World Bank between one hundred and thirty agencies in eighty countries, utilising ICTs and the Virtual World to disseminate knowledge, methods, and techniques. The WBI provides oversight and coordination for the GDLN.

Operating through courses, seminars, video conferences, online services, and interactive learning portals, the GDLN has established regional centres capable of distributing knowledge and information constructed along Group lines (Jennings and Roberts, 2004), thus reinforcing the hegemony of the post-Washington Consensus. Its partnerships have completed more than one thousand learning sessions each year since its creation, and its primary focuses are climate change, labour migration, telemedicine, microfinance, post-conflict region stability, gender equality, HIV/AIDS, and water security.
The Global Development Gateway

Similar to the GDN and GDLN, the Global Development Gateway followed Wolfensohn’s construction of and support for the Knowledge Bank idea, with Karl Kalseth and Sarah Cummings regarding the GDN and the Gateway as the ‘main knowledge sharing initiatives’ (2001, 169) of the Group. Kenneth King similarly argued that, ‘for some outside analysts, [the Gateway] is the knowledge project of the Knowledge Bank’ (2002, 321). Established in 1999, the objectives of the Gateway are to improve aid effectiveness and strengthen governance functions by increasing transparency (World Bank IEG, 2007, 3). A non-profit organisation delivering information solutions to government officials, aid workers, and students, its focuses are governance transparency and accountability and knowledge generation and networking.

Suffering similar criticisms as the GDN and GDLN, numerous civil society organisations in developed and developing countries criticised the Gateway under the claims that it has insufficient independence from the Group, it rejects alternative design options, its consultation and communication tools are lacking, and it is too ambitious (Kalseth and Cummings, 2001, 169). Put simply, it ‘remains closely linked to the World Bank at both operational and strategic levels’ (Wilks, 2004), meaning that the knowledge and information provided is just another advertisement of the Group’s hegemonic discourse.

In summary, the Group has increasingly utilised ICTs and the Virtual World since the late 1990s to project its development knowledge and information as global public goods. These tools – as examples of knowledgeware – have empowered its member countries to engage with development ideas, but at the same time have reinforced the ideational hegemony of the Group, maintaining the market-based approach of the post-Washington Consensus. As the single largest source of development knowledge, the Group holds the capacity and exercises the will to divert the flow of the discourse to reach the village of its ideas. Through ease of access and interactivity, ICTs and the Virtual World implicitly assure recipients of the legitimacy of its “truths”.

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Technical Assistance under Wolfensohn

The World Bank’s technical assistance portfolio consistently reiterated the alleged importance of good governance and citizens’ empowerment, while maintaining its emphasis on macroeconomic adjustment, financial and trade liberalisation, and the private sector. A reaction to the criticisms made after the Asian Financial Crisis, the neoliberal discourse underwent revision. While continuing the approach of the decade prior, governance and empowerment came to underscore the World Bank’s advisory services, if only in rhetoric.

“Economic and sector work” (ESW) entered the vocabulary of World Bank technical assistance during the early 2000s, designed to augment lending operations and to frame country development strategies. As the World Bank’s main advisory service, ESW included ‘reports for Country Assistance Strategies and overall policy dialogue, country advisory and regional reports that provide advice on special topics, and less formal products such as policy notes, workshops, and conferences. ESW increasingly emphasises country ownership, participatory processes, partnerships, and capacity building’ (World Bank, 2004g, 100). Adopting a “comprehensive” approach and stressing country ownership and donor predictability, this was the CDF writ large, which utilised policy advice to encourage citizens’ empowerment.

The largest percentage of World Bank ESW in 2002 was provided for “public sector governance” (twenty-five percent) and “economic management” and “financial and private sector development” (fifteen percent each), which meant good governance and financial liberalisation (World Bank, 2002b, 31-32). The World Bank delivered 734 ESW products in 2004, of which finance and governance comprised the largest percentages (World Bank, 2004g, 101). Despite renaming parts of its portfolio, its “truth” remained constant, “benevolently” packaged as knowledge for the empowerment of recipients.

Following the Asian Financial Crisis, the World Bank promoted the ideas of the post-Washington Consensus and the CDF by placing greater attention upon strengthening governance institutions through technical assistance for legal and judicial reform. With poverty alleviation as the impetus behind its financial assistance, the World Bank regarded legal and judicial reform as
the most effective means to achieving that goal. The *World Bank Annual Report 2001* clearly stated that the promotion of the rule of law and legal and judicial reform were intrinsic to sustainable, equitable growth; sound financial architecture was now no longer enough (World Bank, 2001b, 59).

In addition to legal and judicial reform, the World Bank (cooperating with the IMF) introduced a unique and controversial type of technical assistance. Following the terrorist attacks of 11 September 2001, the Bretton Woods siblings began providing technical assistance intended to target and disrupt money laundering and the financing of terrorism by building anti-corruption measures and institutional capacity (World Bank, 2003c, 79-80). While not unprecedented in principle, given that the World Bank had focused on good governance and anti-corruption reforms throughout the 1990s, this was an contentious departure from its doctrine of political neutrality. By 2003, fifty-two anti-terrorism technical assistance projects to forty member countries had been approved, initiated, or completed (World Bank, 2003c, 78). The Group and the IMF also established the *Anti-Money Laundering / Combating the Finance of Terrorism Global Assistance Coordination Database*, an online resource that tracked technical assistance priorities related to strengthening those agencies attempting to stop money laundering and terrorist financing.

World Bank TALs provide the clearest example of the translation of the CDF into technical assistance. An examination of thirty TALs committed between 2000 and 2004 reveal favouritism towards deregulation, market competition reform, export promotion, trade and financial liberalisation, privatisation, public sector reform, capacity building, good governance, support for KBEs, computerisation, and e-development. Yet, despite building upon the CDF, the main concern was still market reform and private sector development.

Turning towards more detailed case studies, included below is an analysis of several TALs that fell under the categories of financial development, private sector development, governance development, utilities development, and human capital development. These examples illustrate that while the CDF was a rhetorical tool, the provision of technical assistance by the World Bank remained inclined towards market-led development. Further, while the
examples reveal an amalgamation of hardware and software, the rhetoric of the Knowledge Bank and of knowledgeware had yet to translate into TALs.

Under financial development, the Uzbekistani Financial Institution Building Project (1999) and the Dominican Financial Sector Technical Assistance Project (2004) are illustrative examples. Both TALs attempted to strengthen corporate governance and the managerial capacity of commercial banks, increase competition between commercial banks, draft prudent regulations, and build supervisory capacity. Technical assistance also financed privatisations and commercial restructurings, addressed risk management via strategic planning, and employed consultants to design and implement reforms that promoted competition and market diversification (Uzbekistan, 1999; Dominican Republic, 2004). While the CDF underpinned the rhetoric of the World Bank, these two TALs maintained a simple market-based logic.

Under private sector development, the Bangladeshi Export Diversification (1999) and the Croatian Technical Assistance for Institutional & Regulatory Reform for Private Sector Development Project (1999) are sound examples (Bangladesh, 1999; Croatia, 1999). By providing consultants, policy advice, training, and equipment, these TALs sought to integrate the private sector of these countries further into the world economy via market diversification, trade policy reform, the modernisation of privatisation legislation (especially of the banking sector), capacity building, anti-corruption reforms, and the implementation of measures to support market competition and discourage monopolies. While similar to the market-based financial development TALs, these loans warily attempted to combine financial and governance reform.

Under governance development, the Public Administration Reform Project (2000) to Albania, the Economic and Public Sector Capacity Building Project (2002) to Cambodia, and the Public Administration Capacity Building Project (2005) to Afghanistan addressed public sector efficiency, accountability, and transparency through training programs, human development, forecasting, and the establishment of policies and standards (Albania, 2000; Cambodia, 2002; Afghanistan, 2005). The El Salvadoran Judicial Modernisation Project (2002) similarly attempted to improve the institutional management of the judicial branch via technical assistance to implement an integrated planning
system, modernise the court system, and update the automated judicial and administrative case management system (El Salvador, 2002). Despite prescribing competitive policy reforms, these four TALs opted towards balanced state/market relations, and were reflective of Wolfensohn’s CDF.

Under utilities development, TALs for the communications, power, water, and waste disposal sectors combined the following two approaches. First, enhance the operational capacity of national ministries coordinating utilities and implement regulatory frameworks. Second, privatise or divest utilities more competitively performed by the private sector. TALs to Bangladesh, Malawi, Mozambique, and St. Lucia all concerned the privatisation of public utilities through the provision of consultants, the outlining of new operating licences, and sector and policy analyses (Malawi, 2000; Mozambique, 2001; St. Lucia, 2001; Bangladesh, 2004). Reflecting a cautious balance between the public and private sectors, these TALs held to the neoliberal assumption that the private sector would ensure that recipient populations received the best access, quality, and quantity of services, freeing their governments to focus upon those sectors that the market does not easily (or often) address.

Under human capital development, the *HIV and AIDS Capacity Building and Technical Assistance* (2004) to Lesotho and the *Human Capital Technical Assistance* (2005) to the Slovak Republic were not market-oriented. Both TALs instead contributed to improving the efficiency and competency of health, social welfare, labour, and development planning ministries. As an interesting contrast to the TALs in the preceding paragraphs, these two projects encouraged state intervention, be it through the delivery of HIV/AIDS medication (Lesotho, 2004) or the implementation of education, employment, and social welfare reforms (Slovak Republic, 2005). Technical assistance under the TALs included training, the development of recruitment strategies, and building and upgrading advanced technological systems and institutional capacities. This was a striking contrast to the neoliberal 1980s.

Under the categories of financial, private sector, governance, utilities, and human capital development, World Bank TALs provided during the 2000s attempted to balance market-based neoliberal reforms with an advocacy for sound governance institutions. While the CDF was an important rhetorical
tool, the World Bank remained inclined towards market-led development. In addition, while it rhetorically encouraged the provision of knowledgeware, the use of ICTs and the Virtual World had yet to influence TALs significantly.

The Private Sector Arm of the World Bank Group

The financial and technical assistance of the private sector arm of the Group – the IFC, the MIGA, the FIAS, and the PPIAF – reinforced the market-inclined “comprehensive” approach of the World Bank through their support for private enterprise. From 2000 onwards, the Group affiliates increasingly argued that successful “development” resulted from a strong private sector.

Throughout the late 1990s and early 2000s, the IFC cultivated its technical assistance portfolio in the fields of capital markets development, corporate restructuring, privatisation, and private infrastructure, serving its mandate of attracting new private investment to and building the capacity of private enterprises in its member countries. To illustrate, IFC stand-alone technical assistance projects between 1998 and 2003 addressed financial sector reform (232 projects), FDI (170 projects), privatisation (112 projects), and small-and medium-enterprises (92 projects) (IFC, 1998; IFC, 1999; IFC, 2000; IFC, 2002a; IFC, 2003). The rationale behind these projects was that national development should increasingly be divested to the private sector.

The MIGA continued to provide technical assistance to create environments receptive to private investment. Complementing the IFC, its project-related technical assistance committed during the early 2000s primarily involved investigative mission, investment promotion skills training, and strategy reviews. Sub-Saharan Africa was the main recipient of its advisory services, receiving double that of any other region (MIGA, 2004, 21-22). In terms of non-project-related technical assistance, it maintained its Internet websites.

In contrast to the other Group affiliates, the MIGA reduced the volume of its project-related technical assistance portfolio between 1999 and 2010. This reduction was a consequence of the outsourcing of its advisory services to the FIAS. To illustrate, while the number of its advisory projects rose from sixteen in 1998 to eighty-four in 2005 but then declined to thirty-four in
2009, FIAS projects steadily increased, doubling from forty-six in 1998 to eighty-three in 2007 (FIAS, 2000, 7; MIGA, 2008, 32; FIAS, 2009, 26-27). Working together, the MIGA and the FIAS attempted to build competition, simplify regulation, reform investment laws, and generate discussion between the public and the private sectors. Just like the IFC, the focus was on divesting responsibility for national development to private enterprises.

The online services of the MIGA drew together the Knowledge Bank idea, knowledgeware, and empowerment. Prior to 2006, it provided three main online services: IPAnet, PrivatisationLink, and FDI Xchange. IPAnet was an investment database designed to chart private investment opportunities, PrivatisationLink provided information on investment opportunities arising from public sector privatisations, and FDI Xchange compiled information on FDI and business environments (MIGA, 1998a, 32; MIGA, 2002, 23). After 2006, these services were merged into FDInet, a registration benefit of which included ‘e-mail alerts on the latest analysis and trends in privatisation, as well as upcoming sales of state-owned enterprises and recently completed transactions’ (MIGA, 2009a, 34). To illustrate the potential influence of these online services, FDInet listed 75,000 registrants (including private individuals, corporations, and government bodies) from 175 countries in 2009. Through ease of access, interactivity, and the fact that these services were not coercive, the MIGA attempted to persuade tens of thousands of registrants of the alleged importance of the private sector to and the intractability of the free market from successful “development”.

The FIAS remained the leading subsidiary specialising in the provision of technical assistance, assisting the ‘governments of developing countries and transition economies in reforming their business environments with emphasis on regulatory simplification and investment generation’ (FIAS, 2008, i). Alongside the IFC and MIGA, the FIAS played a role in orienting developing countries towards private sector-led growth, prescribing policies intended to reduce barriers to capital movement. Its main advisory product lines during the Wolfensohn era included: diagnostic analysis; policy, laws, and regulations; administrative procedures; strategy promotion; investment incentives; backward linkages; and, FDI data systems. The FIAS attempted to ensure that the private sector in its member countries was unrestrained.
Primarily focused on policy, regulation, and administrative procedures linked to trade and financial liberalisation, the FIAS complemented the IFC and the MIGA by contending the alleged importance of the private sector to national development. It attempted to achieve its neoliberal objectives by liberalising investment and business environments. While only a subsidiary, the FIAS performed a boutique role as an investment climate advisory service, with the Group affiliates regarding the FIAS as a leading specialist in the field. The World Bank, the IFC, and the MIGA all coordinated their advisory services with the FIAS, irrespective of their mandates, and thereby created synergy in their common intent of expanding the role of the private sector.

During the 1990s, global investment flows to infrastructure projects with (at least partial) private sector participation rose from US$18 billion to a peak of US$128 billion annually (PPIAF, 2002, 4-5). Realising this, the PPIAF – a joint venture between the World Bank and the governments of Japan and the United Kingdom – was launched in July 1999. Created as a multi-donor technical assistance facility mandated to foster public-private infrastructure partnerships, the PPIAF pursues its mission by formulating policy strategies, by offering financial grants to improve recipient creditworthiness, and by identifying, disseminating, and promoting best practices (PPIAF, 2002, 7). Regarding itself as a global platform of knowledge and advice, it finances and administers a broad range of technical assistance products, capitalising on the alleged potential of private enterprises in infrastructural development (PPIAF, 2001, 14). Similar to the affiliates and subsidiaries comprising the private sector arm of the Group, the PPIAF was a statement that the private sector was more efficient than the public sector at achieving “development”.

**The Presidency of Paul Wolfowitz**

Following Wolfensohn’s departure in May 2005, neo-conservative hawk and hardline American unilateralist Paul Wolfowitz next occupied the presidency. Prior to his appointment as the tenth Group President, he served as United States Deputy Secretary of Defence from June 2001 to June 2005 under the administration of President George W. Bush. Given the controversy of the 2003 Iraq War and his prominent hand in it, his selection was received with
scepticism that soon turned into condemnation (Pieterse, 2004, 135; Barnes, 2005, 3; Bello, 2006, 1363). Commentators ranging from national newspapers to senior academics began attacking his posting as an undisguised attempt by the United States to monopolise control of the Group (Abbasi, 2005, 744; Tricarico, 2005, 97-98; Babb, 2009, 207-208). His controversial tenure and lacklustre leadership were to be brief however.

Serving from June 2005 to June 2007, he did little to introduce a new face to the Bretton Woods institution. Wolfowitz maintained the foundations that Wolfensohn laid. The so-called “good governance banker”, he focused upon good governance, corruption, accountability, the global expansion of free trade, private sector growth, and poverty alleviation in Sub-Saharan Africa (Einhorn, 2006, 17-18; Thomas, 2007, 729-728). Because of this complete lack of originality, he acquired the reputation of being a “no frills” president.

During his 2006 Annual Address to the Board of Governors in Singapore, he detailed what he regarded to be the “Path to Prosperity”, emphasising the triumvirate of good governance, a strong private sector, and free trade for development (Wolfowitz, 2006, 10). This followed his 2005 Annual Address, in which he argued that sustainable development depended upon leadership and accountability, civil society and women, the private sector, the rule of law, and capital and labour (Wolfowitz, 2005, 6-7). Though echoing the CDF and the mainstream development discourse, Wolfowitz did not introduce anything original to his term that had not been established by Wolfensohn.

The brevity of his tenure was a result of two scandals marring his leadership (Bakvis, 2005, 633; Thomas, 2007, 729; Lebovic and Voeten, 2009, 82). First, there were accusations that the World Bank was becoming too political and acting outside of its mandate of neutrality, including withholding US$1 billion in financial assistance based upon suspicions of national government corruption; the withheld funds were intended for countries at odds with the United States. Second, there were strong allegations of unethical conduct, including an inappropriate relationship between Wolfowitz and the Senior Communications Officer for the Middle East and North Africa Regional Office, Shaha Ali Riza. In addition to breaching Codes of Conduct by not disclosing...
the relationship, Wolfowitz granted her a salary increase in excess of her station. Due to these widely publicised scandals, he did not last a full term.

For such a brief interlude, mired by questions of unethical behaviour and lacking an original mission, his presidency was a stopgap in Group history.

The Doing Business Reports

The only notable development emerging from the troubled Wolfowitz years was the expansion of the Doing Business Reports, annual publications that advocated business climate liberalisation. They quickly became the most widely advertised new publications distributed by the World Bank and the IFC during the 2000s, and were indicative of the private sector impulse underpinning the Wolfowitz presidency. In fact, it is not hyperbole to argue that these reports have joined the ranks of the leading regular publications distributed by the World Bank, in the same field as the World Development Reports. Just as the World Development Reports reflect the World Bank’s development agenda, the Doing Business Reports stress the need for the private sector to supplant many functions previously reserved for the state.

While Wolfensohn launched the Doing Business Project in 2002, the Doing Business Reports were not published until 2004. Since then, the project has produced annual examinations of small- and medium-enterprises in 183 countries, measuring the costs to private firms of business regulations. The objective in doing so, as detailed in the Doing Business Report 2004, was to motivate reforms through country benchmarking, to update the design of reforms, to supplement global initiatives on development effectiveness, and to inform theory on regulatory economics (World Bank, 2004a). As a vehicle widely disseminating the Group’s augmented neoliberal “truth”, the reports argue that less regulation is better for the private sector and is thus better for national development, as the “improvement” of developing countries in the globalised world economy requires the unfettering of private enterprise.

Between 2004 and 2007, the Doing Business Reports held to the view that government regulation was an impediment to the private sector. More than the World Development Reports, the Doing Business Project advised
practical action, with such titles as *Understanding Regulation*, *Removing Obstacles to Growth*, *Creating Jobs*, and *How to Reform* (World Bank, 2004a; World Bank, 2005a; World Bank, 2006a; World Bank, 2007a). The reports not only offered instruction on the “best practices” for deregulation, but also attempted to convince recipients of the “correct” role of the private sector. The *Doing Business Reports* typically prescribed the following policy and legislative reforms intended to limit regulation (Lyons and Titus, 2010):

- Reduce business costs and policy-related risks;
- Improve justice systems to increase trust;
- Ensure property rights and contract enforcement;
- Implement liberal trade and investment rules;
- Simplify customs procedures;
- Reduce government intervention in labour markets;
- Improve government accountability and transparency; and,
- Simplify procedures, laws, and regulations governing the registration, licensing, transferring, and closing of a private business or firm.

Toby Carroll regarded the above list as part of the Group’s post-Washington Consensus pursuit of “deep marketisation” – the attempt to simultaneously increase the role of the private sector while shifting the function of the state to cultivate and facilitate better “access to finance” for private enterprise; a new stage of neoliberalism (Carroll, 2012). While the 1980s was a time of financial liberalisation (and the rollback of the state) and the 1990s a time of political liberalisation (and the democratic “improvement” of the state), the 2000s became a time when the Group often circumvented the state, its actions being heavily and directly focused on the role of the private sector. This thesis agrees fully with the propositions made by Carroll, particularly the assertion that the World Bank attempted to renew its neoliberal meta-paradigm by engaging with actors *within* its developing member countries.

Although introduced by Wolfensohn, Wolfowitz greatly expanded the Doing Business Project. By 2007, the project had grown to include not only annual thematic reports, but also regional and country-specific reports; one report published for nearly every member country of the World Bank. This was a
notable development in its rhetoric as the Knowledge Bank building global capacity, irrespective of the ideological alignment of its neoliberal “truths”.

This was not without criticism. The Doing Business Project soon came under opposition from trade unions in developed and developing countries, which questioned its advocacy of labour market deregulation (Bakvis, 2009a, 435; Bakvis, 2009b, 321), and from academia challenging the naïve assumption that business climate liberalisation would lead to gains for the poor (Lyons and Msoka, 2010, 1092). The reports were at the centre of discontent over Group development assistance. Reinforcing the criticisms extant since the 1980s, detractors questioned the wisdom of allowing the free market and the private sector to be vehicles for “development”. Given his brief tenure, Wolfowitz was unable to provide an adequate response to these challenges.

**Technical Assistance under Wolfowitz**

Reflecting the character of the Wolfowitz years, the provision of technical assistance by the World Bank largely maintained the trends established by Wolfensohn. ESW and non-lending technical assistance (NLTA) became the two leading analytic and advisory products, augmenting financial assistance by creating, sharing, and applying knowledge. Under Wolfowitz, ESW and NLTA addressed the drafting and implementation of policies and programs related to financial and private sector development, good governance, and law, justice, and public administration. Promoting the rhetoric of the CDF, its technical assistance portfolio emphasised country ownership, capacity building, participatory processes, and public/private partnerships (World Bank, 2005c, 55; World Bank, 2006c, 55; World Bank, 2008l, 62). Clearly, the Wolfowitz presidency was not reformulating the development discourse. The CDF and technical assistance became a means to “empower” recipients, to convince them that they were “developing” on their own, thereby adding persuasiveness to the “value-neutral” suggestions of its neoliberal “truths”.

The World Bank provided a large volume of technical assistance, with 601 ESW and 207 NLTA products delivered in 2006 alone, and annual outlays for these services doubling between the Wolfensohn and Wolfowitz presidencies (World Bank, 2006, 55). The World Bank was thus the largest provider of
technical assistance within the Group, not only in financial terms, but also in the total number of products delivered. To illustrate further, between seven hundred and one thousand combined ESW and NLTA products were provided each year between 2004 and 2009. Yet, it is relevant to note that this was but a portion of the World Bank’s technical assistance portfolio, not including components incorporated in lending operations or related services.

Different geographical regions received World Bank technical assistance for distinct purposes. In Europe and Central Asia, software targeted capacity building and policy reform, with particular focus on migration, demography, labour mobility, and governance in transition countries (World Bank, 2006c, 42; World Bank, 2007d, 41). In Latin America and the Caribbean, priorities shifted towards investment climates, market competition, human capital, inclusion and social equity, and the effective use of natural resources (World Bank, 2006c, 47-48; World Bank, 2007d, 45). In the Middle East and North Africa, the main issues were knowledge services, policy advice, governance strengthening, anti-corruption measures, and reimbursable technical assistance to Saudi Arabia, Abu Dhabi, and Kuwait (World Bank, 2006c, 51; World Bank, 2007d, 48). And lastly in South Asia, advisory work targeted investment climates, banking deregulation, privatisation, infrastructure, and social safety nets (World Bank, 2006c, 38; World Bank, 2007d, 37). Despite being geographically diverse, the provision of technical assistance to the above regions was consistent with Wolfensohn era hardware and software.

As an element of World Bank NLTA, Country Assistance Strategies continued to underpin financial and technical assistance by assessing the (alleged) developmental challenges, priorities, and potential of an evaluated country, which often led to the drafting of a comprehensive program of lending and non-lending activities (World Bank, 2008l, 61-62). Between 2005 and 2009, one hundred and ninety-three strategies were drafted, forty-five percent of which were prepared jointly with the IFC (World Bank, 2005c, 58-59; World Bank, 2006c, 58-59; World Bank, 2007d, 59-60; World Bank, 2009b, 61-62). These strategies reinforced the Knowledge Bank idea, as they allowed the World Bank to accumulate current information on its member countries.
World Bank TALs epitomised the Wolfowitz agenda, that being governance (efficiency, transparency, and accountability), business climates (improved market competitiveness and private investment), financial management, and social protection. Many projects reflected these imperatives, including those to Albania, Argentina, Chad, Chile, Dominica, Haiti, Kosovo, Kyrgyz Republic, Mongolia, Nigeria, and Uruguay. The paragraphs below provide an analysis of several notable TALs committed during the Wolfowitz presidency.

Nigeria received the *State Governance and Capacity Building Project* (2005) and Haiti received the *Governance Technical Assistance Grant* (2005). The Haitian IDA TAL was designed to improve institutional capacity in budgetary planning and execution, strengthen personnel skills in the Prime Minister’s Human Resource Unit, support anti-corruption plans, and recruit consultants to oversee and implement budgetary reform proposals (Haiti, 2005). The Nigerian IDA credit similarly provided advisory assistance and consultation to prepare multi-year fiscal planning, auditing and reporting, transparent public procurement management, and personnel training (Nigeria, 2005). Both TALs were oriented towards the inception of good governance reforms.

Turning to private sector reform, Kosovo received the *Business Environment Technical Assistance Project* (2005). The TAL pursued its aim of improving business climates by moderating regulatory uncertainty, enhancing service delivery and property rights, and increasing governance transparency and accountability. Pursuant to its aim, the TAL created an immovable property rights registration system and an integrated mortgages system, it eased the difficulties of establishing a business through a business service integration system, and it coordinated development projects related to liberalising the business environment (Kosovo, 2005). The TAL was seeking to establish a local climate receptive to private sector leadership of national development.

TALs also began to integrate the suggestions of the *Doing Business Reports*. For example, the *Growth and Social Protection Technical Assistance Credit* (2007) to Dominica, which was designed to promote a policy reform agenda facilitating private sector-led growth and social protection, held provisions taken verbatim from the Dominican 2007 *Doing Business Report*. Intended to increase public sector efficiency and to improve the investment climate
and social protection, the TAL argued that, as per the 2007 Report, focus should be upon greater flexibility in the labour market and reduced costs to registering property (Dominica, 2007). These were argued to improve social protection by granting the private sector larger control over “development”. The public sector was thus not to be responsible for “improving” Dominica.

In summary, the technical assistance portfolio of the World Bank under the brief Wolfowitz presidency did not break any new ground, merely continuing and reinforcing the augmented neoliberal agenda of the Wolfensohn decade. Sustaining the Knowledge Bank idea, although downplaying knowledgeware, the CDF underlined its technical assistance, combining financial adjustment, good governance, and social protection all to the purpose of empowerment. The implied objective and value-neutral nature of software became even more persuasive if countries believed they were “developing” on their own.

The Private Sector Arm of the World Bank Group

The Wolfowitz presidency celebrated the fiftieth anniversary of the founding of the IFC in 2006. Under the executive vice presidency of Lars Thunell, the strategic objectives of the IFC during this period were (IFC, 2005a, 11-25):

- Expanding access to finance for small businesses and households;
- Increasing private participation in infrastructure and education;
- Focusing where needs are greatest (low income/high risk countries);
- Helping successful private enterprises grow; and,
- Ensuring environmental and social sustainability.

These objectives translated into its technical assistance program, with forty percent of its advisory portfolio based in Sub-Saharan Africa. Building upon the Doing Business Reports and “deep marketisation” (Carroll, 2012), the IFC was convinced of the importance of small and medium businesses to social equity, economic growth, and national development, advertised under the rhetoric of ‘creating opportunities’ (IFC, 2007) for its member countries.
By mid 2007, its technical assistance portfolio had been organised into five business lines. Yet, just like the World Bank, it had not evolved that much, largely continuing and reinforcing the Wolfensohn years (IFC, 2007, 70-74):

- **Business Enabling Environment** – involved in “improving” investment climates through diagnostic studies, policy and legislative support, sub-national capacity building, and investment dispute resolution;
- **Access to Finance** – involved in institution building for banking and financial institutions through corporate governance development and assistance to entrepreneurs and business service providers;
- **Value Addition to Firms** – involved in helping private firms enhance competitiveness and productivity via banking and financial institution development, microfinance, insurance, and sustainable finance;
- **Environmental and Social Sustainability** – involved in developing and testing innovative environmental and social business models; and,
- **Infrastructure** – involved in building private partnerships with the public sector to improve access to basic social services and utilities.

The IFC had an active technical assistance portfolio of 787 projects valued at US$673 million in 2007 (IFC, 2007). Similar to the World Bank, different geographical regions received technical assistance for distinct purposes. Sub-Saharan Africa and East Asia and the Pacific were the main recipients, their support based in the business lines of access to finance, value addition to firms, and environmental and social sustainability. Marketing itself as a “friend to business” (even adopting business lingo to reinforce this claim), the IFC further entrenched the underlining private sector drive of the Group.

The MIGA continued to expand its operations slowly, without crossing over into new conceptual territory. The main change was institutional. In 2007, the technical assistance portfolio of the MIGA was integrated into the FIAS to allow for a more streamlined and coordinated service. As a result, the subsidiary increasingly supplanted the affiliate, leading to a fall in the number of MIGA technical assistance projects committed annually, from eighty-four in 2005 to forty-four in 2007 (MIGA, 2007, 35-36). Nonetheless, the MIGA remained focused on knowledge sharing and the promotion of global private investment opportunities in its developing member countries.
Beyond assisting its member countries formulate and implement strategies for attracting and retaining FDI (including tailoring assistance and advice for investment promotion intermediaries), it also maintained its suite of online services. In 2006, the MIGA consolidated IPAnet, PrivatisationLink, and FDI Xchange into FDInet. At the same time, it launched PRI-Centre, a political risk management and insurance website. Traffic through its online services increased to above 79,000 per month (on average) during 2006, compared to 68,000 in 2005. By emphasising the necessity of the private sector to the “improvement” of countries, the MIGA was using knowledgeware to argue the inseparability of the free market from successful national development.

The FIAS maintained its boutique role as an investment climate advisory service. With the divestiture of MIGA technical assistance to the FIAS, the subsidiary grew substantially in operational scope and volume. While the amalgamation was approved in January 2007, there had already been an increasing interaction between the two, with forty percent of MIGA technical assistance being jointly provided by the FIAS in 2006 (FIAS, 2006, 10-11). The FIAS had advised over 130 member countries through 680 projects by 2007, with Sub-Saharan Africa being the largest recipient (FIAS, 2007, 46).

As part of its 2005 to 2007 three-year strategy, the objective of which was to improve effectiveness and double the size of its advisory portfolio, the staple technical assistance products of the FIAS were (FIAS, 2006, 17-25):

- Administrative Barrier Solutions;
- Competition Policy and Obstacles;
- Corporate Social Responsibility;
- Industry Competitiveness;
- Investment Climate Diagnostics;
- Investment Laws and Promotion; and,
- Licensing Reform.

The above product lines were all oriented towards a market-centric mindset, involved in identifying obstacles to the private sector, prescribing reforms, and creating partnerships between the public sector and private enterprise.
The PPIAF expanded its operations during the Wolfowitz years, though again maintaining the trends established under Wolfensohn. While in operation for less than a decade, it had delivered 505 grants totalling US$11 million and had developed a range of services, including institution building initiatives and the formulation and strengthening of policy, regulations, and legislation (PPIAF, 2005). By the end of the Wolfowitz era, the advisory services of the PPIAF focused on building capacity, consensus, and creditworthiness, and framing strategies and pioneering projects (PPIAF, 2008, 3-4). It provided one hundred and eighty technical assistance activities totalling US$34.7 million in 2006 and 2007, largely to Sub-Saharan Africa (PPIAF, 20007, 49).

Complementing the World Bank, the private sector arm of the Group held to the position that “development” should be divested to the private sector, not only to achieve economic growth, but also social welfare and inclusion.

**The Presidency of Robert Zoellick**

After stepping down amidst scandal, Wolfowitz was succeeded in July 2007 by Robert Zoellick. The eleventh president, Zoellick reiterated much of the agenda underpinning the Wolfensohn era. He however went much further in arguing the indispensability of free trade to economic growth. While not the neo-conservative that Wolfowitz had been, and thus presenting a friendlier public image, Zoellick remained a steadfast advocate of market-led globalisation. To illustrate, while serving as the thirteenth American Trade Representative from 2001 to 2005, he not only launched a dozen free trade agreements, but also remarked that ‘global trade liberalisation was vital to counter terrorism’ (cited in Tujuan, Gaughran and Mollett, 2004, 63). Similarly, although written several years prior to his appointment as Group President, he wrote a *Foreign Affairs* article entitled “A Republican Foreign Policy”. In it, he revealed his private sector faith by arguing that the Group had to become a better agent for financial market globalisation (2000, 73).

While the Wolfowitz years were arguably without originality, Zoellick instead managed to build upon Wolfensohn’s legacy. In doing so, he revitalised the Group’s mission. Stressing the importance of sustainable development and
the Millennium Development Goals, he held that the Group should act as a free market catalyst, supplementing the private sector, targeting the poorest countries, and building knowledge and learning as a global public good (MIGA, 2008, 11-12; Zoellick, 2008, 10-11). In contrast to Wolfowitz, Zoellick arguably managed to rejuvenate the augmented neoliberal agenda.

Free trade and free markets were central to Zoellick. One need only turn to the rhetoric emerging in response to the 2007 to 2008 Global Food Crisis. In addition to launching the Global Food Crisis Response Program, which offered immediate support to the hardest hit countries, Zoellick contended the importance of free trade to balancing food price stability: ‘The answer is not to prosecute or block markets, but to use them better’ (Zoellick, 2011).

The Doing Business Reports reinforced the alleged importance of free trade, free markets, and the private sector under Zoellick, with over 180 countries receiving comprehensive analyses of their business environments. The aim of the reports remained to convince countries to liberalise their economies, with global rankings on ease of starting a business, taxation, trade barriers, property rights, contract enforcement, and worker employment. The 2009 Country Profiles of Algeria, Argentina, Bolivia, Estonia, Latvia, Lithuania, South Korea, Tanzania, and Zambia provided identical recommendations for the growth of and policy support for private businesses. These suggestions included simplified regulation, strengthened property rights, reduced export and import costs, eased tax burdens, increased access to finance, directed assistance to entrepreneurs, and national computerisation (World Bank, 2008a; World Bank, 2008b; World Bank, 2008c; World Bank, 2008d; World Bank, 2008e; World Bank, 2008f; World Bank, 2008g; World Bank, 2008h; World Bank, 2008i). The Doing Business Project epitomised the obsession of the Group under Zoellick of the private sector leading national development.

Importantly however, Zoellick qualified his optimism for the free market and free trade by calling for an ‘inclusive and sustainable globalisation’, one that acknowledged the oft-ignored voices of the poor (Zoellick, 2007, 3; Zoellick, 2008, 3-4). A timely change for the Group, such commentary culminated in April 2010, when he declared the ‘end of the Third World’ in a speech before the Woodrow Wilson Centre for International Scholars. He observed that in
the current multipolar world order characterised by global cooperation and multilateralism, the ‘outdated categorisations of First and Third Worlds, donor and supplicant, leader and led, no longer fit’ (2010). This was an attempt to dismantle obsolete dichotomies, which limited the conceptual parameters of “development”. Many commentators regarded this speech as one of the most important by a Group President since Robert McNamara’s 1973 Nairobi Speech (Wade, 2011). Zoellick had distanced himself from Wolfensohn. While maintaining the rhetoric of the CDF and the Knowledge Bank, Zoellick was altering the character of Group development assistance.

The Virtual World of the World Bank

There was a time when the Group was at the cutting edge of technology by making CD-ROMs available to interested parties containing an assortment of information, distributed via postal services. Today however, while CD-ROMs are used to collate large quantities of data and statistics (recent examples including Getting Finance in South Asia 2010: Indicators and Analysis of the Commercial Banking Sector CD-ROM, Global Development Finance 2010 CD-ROM, World Development Indicators 2010 CD-ROM, and World Trade Indicators 2009-2010), favouring this approach alone would be more than antiquated. Online delivery methods are today preferred. Zoellick realised the importance of the Internet to the global delivery of the Group’s “truths”.

The Group’s engagement with the Internet has been critical to deepening its interaction with its member countries. Its websites use communicative tools such as email newsletters and blogs, as well as the instant connectivity granted by Facebook, Twitter, Flickr, and Youtube. This is not to mention its increasing favour demonstrated towards mobile resources, such as iPhone and iPad applications (or “apps”). As an example, DataFinder is an app that allows users to isolate, chart, and visualise fifty years of global economic indicators. A related example was the launch of the World Bank’s Apps for Climate competition on 02 December 2011. Conceived as an interactive and empowering method for applicants to devise new ways of using climate data to help solve the problems of climate change, the competition was open to scientists, software developers, development practitioners, and students. Its rationale was for applicants to use multimedia data and open information
creatively. *Ecofacts*, an Argentinean entry that charted climate change, energy consumption, and actions that reduce carbon emissions, won the competition in June 2012 (World Bank, 2012b). This was the second such contest, following the *Apps for Development* competition, which announced its winners in April 2011 from a list of 107 entries from thirty-six countries. With its knowledge sharing initiatives focused on speed, quality, and innovation, the Group was receptive to online connectivity and interactivity.

A three-pillared strategy informed the knowledge sharing initiatives of the Group, a strategy that paired information dissemination with the Virtual World: first, use knowledge to support lending operations; second, share knowledge as a global public good; and, third, help member countries and private enterprises build their capacity to access and use knowledge. The establishment of the Knowledge Strategy Group in 2009 reinforced this, with it being a renewal program furthering the nurtured image of the Bretton Woods institution as demand driven, open to vigorous debate, and a Knowledge Bank of global excellence (World Bank, 2009b, 19). Yet, the transfer of information, knowledge, and skills through its online resources as knowledgeware arguably persuaded the legitimacy of its neoliberal message through ease of access, connectivity, interactivity, and digestion.

Given the evolving nature of the Virtual World, the design of the various websites of the Group received constant updates to improve navigation. The updates were conducive to information dissemination and digestion, with large colourful prompts, easy to navigate icons, and useful directions and links. The current state of its websites is unrecognisable to the early 2000s. In addition, its websites are increasingly interactive. Gone are the days of bland tables and graphs. The Group today prefers interactive diagrams, with slide bars, historical overview pop-ups, and embedded video and audio cues, all of which potentially improve contact, understanding, and the ease of digestion of its neoliberal “truths”. Examples of this include the following:

- The *Microdata Library* provides economic and institutional information on business enterprises, households, farms, villages, and towns;
• The *Mapping for Results* platform visualises the location of Group projects to monitor their impact, to enhance transparency and social accountability, and to offer recipients a means to provide feedback;

• The *Data Visualiser* uses bubble charts to display data in four dimensions, with its *Data Visualisation Tools* providing interactive maps and the *World Integrated Trade Solutions* software tool; and,

• The *e-Atlases* allow users to search terms, including adjustment, poverty, empowerment, gender, and the Millennium Development Goals, to see how they change over time. More than 175 indicators for over two hundred countries are visualised in the *e-Atlases*.

Improved access, connectivity, and interactivity through its online resources have arguably led to an ease in digestion of its neoliberal message, thereby reinforcing its legitimacy. The easier it is for recipients to grasp and engage with its ideas, the easier it is for recipients to accept and adopt its "truths".

The dissemination of information was made easier by the implementation of the World Bank’s *Access to Information Policy* in July 2010, which increased the availability of official documents on active projects and actions by the Boards of Governors and Executive Directors. This followed its emphasis on accountability, transparency, and knowledge sharing, and was another step in securing the Group as the Knowledge Bank. The new policy expanded the already available tens of thousands of documents easily and immediately accessible through the online database and search engine of the World Bank website. While certain exceptions remain (including those to protect personal information, matters of confidence, and information subject to legal privilege), it has made available a far greater amount of information on its operations, arguably increasing the legitimacy of its knowledge base.

Extending its new *Access to Information Policy*, Zoellick launched the *Open Data Initiative* in April 2010. This included the new *Open Data* website that provided free data sets on regional and global development. The initiative attempted to increase information accessibility. In part because of this, the British-based *Publish What You Fund*, a group of civil society organisations evaluating issues of governance, ranked the World Bank as the “best performer” in a 2011 pilot Aid Transparency Index, ranked first out of fifty-
eight development agencies (World Bank, 2011e). During the first two years of the Open Data Project, more than 2,100 books, articles, research papers, and reports were made available to the public, which coincided with the launch of its latest mantra: “Open Data, Open Knowledge, Open Solutions”.

Through the provision of online information as a global public good, Zoellick maintained the rhetoric of Wolfensohn’s Knowledge Bank idea. As Zoellick clearly argued in A New Era for Open Knowledge (World Bank, 2011b, 18):

> Today, the Bank remains the largest single source of development knowledge. But knowledge must be opened to all. In a world where there is no one, overarching, theoretical framework; In a world where scholarship must be linked to practice; In a world where developing economies have as much to share as developed; We need to democratise and demystify development economics, recognising that we do not have a monopoly on the answers. We need to throw open the doors, recognising that others can find and create their own solutions ... This open research revolution is underway.

Yet, while Zoellick contended that the Group does not have a “monopoly of answers”, its diffusion of information through the Internet arguably leads to its “monopoly of the message”. This means that when others try to “find and create their own solutions”, Group “truths” may influence where they start. Knowledgeware, ICTs, and the Virtual World have enabled the Bretton Woods institution to disseminate its interpretation of what “development” is and how it should be pursued more effectively. By making its information more accessible, particularly alongside its new Access to Information Policy, its information appears more legitimate because recipients are empowered by choosing for themselves what knowledge they adopt from its websites, a quality absent from the structural adjustment conditionalities of the 1980s.

**Technical Assistance under Zoellick**

The rhetoric of World Bank technical assistance maintained the ideas of the Wolfensohn era. While not always explicit, its advisory services embodied the Knowledge Bank idea, particularly in terms of suggesting that the World Bank was a leading source of knowledge and expertise. The World Bank Annual Report 2009: Year in Review said as much, arguing that ‘Knowledge
is the key to development effectiveness and the driver of a successful
development institution’ (World Bank, 2009b, 19). The World Bank provided
its technical assistance in collaboration with other development agencies;
nearly half of all ESW products delivered in 2008 resulted from collaborative
partnerships (World Bank, 2008l, 62). By building relationships and by
declaring its leadership as a knowledgeable institution, it was claiming its
indispensability as the Knowledge Bank empowering its member countries.

ESW and NLTA remained a staple of World Bank technical assistance, with it
committing 489 ESW and 513 NLTA products in 2008 and 437 ESW and 545
focus was on finance, law, justice, and public administration. Following the
recommendations of a task force established in 2006 under Wolfowitz, the
World Bank held that it had to improve client responsiveness and flexibility,
build collaborative synergies within the Group, and develop its reputation as
a knowledge hub (World Bank, 2008l, 17). These conclusions aligned to the
CDF and the Knowledge Bank idea, becoming entrenched to reinforce the
supposed legitimacy of its “truths”. Yet, while laying emphasis upon country
ownership, participatory processes, and capacity building, the objective of
its technical assistance portfolio was to divest developmental responsibilities
to the private sector through the implementation of extensive policy reform.

World Bank TALs were again representative of the trends maintained since
the Wolfensohn era, with their focus divided between finance, governance,
and social safety nets, all of which reinforced the liberalisation of business
climates. TALs committed between 2008 and 2010 to Benin, Cameroon,
Chile, El Salvador, Grenada, Mexico, Mozambique, Niger, Nigeria, Pakistan,
Papua New Guinea, the Solomon Islands, and Tanzania targeted governance
transparency and accountability, trade liberalisation, regulatory
modernisation, private sector competitiveness, and social safety nets. The
Zoellick presidency had not evolved that much beyond the Wolfensohn era.

The US$2.78 million GD Technical Assistance Credit (2008) to Grenada was
designed to improve customs and tax administration, modernise investment
promotion, and enhance governance support for exports, thereby creating a
market-friendly business climate through consultants, policy proposals, and
technology upgrades (Grenada, 2008). The US$2.0 million Financial Sector Strengthening and Market Infrastructure Project (2007) to Kosovo was quite similar, although it was instead oriented towards improving the institutional capacity and regulatory and supervisory frameworks of its banking system.

The Transparency and Accountability Capacity Building Project (2008) to Cameroon, the Reform Management and Technical Assistance (2009) to Niger, and the Public Sector Governance Reform and Development Project (2010) to Nigeria targeted national and sub-national governance. Pursuing the objectives of enhanced public finance transparency and accountability and improved budget credibility and human resource capacity, these TALs attempted to formulate and implement good governance reforms. Their components included guidance on budgetary and regulatory liberalisation, consultation on the functional integration of specialised ministries, capacity building to strengthen governance transparency and accountability, and project coordination support (Cameroon, 2008; Niger, 2009; Nigeria, 2010).

Lastly, the Social Safety Net Technical Assistance Project (2009) to Pakistan was indicative of TALs preserving social safety nets. The main objective of the project was to enhance the operation and management of a transport system for the poor. Through the provision of consultation, training, and equipment, the TAL attempted to establish transparent, accountable, and efficient social safety nets (Pakistan, 2009b). Similarly, the Health Sector Support Project (2009) to the Solomon Islands addressed social welfare, attempting to improve the efficiency and transparency of its health services.

These TALs epitomised the trends maintained during the 2000s, and sought to convince recipients of the legitimacy of the augmented neoliberal agenda.

The Private Sector Arm of the World Bank Group

The IFC remained committed to the development of the private sector in its member countries and the creation of market-friendly business climates. It thus reinforced the agenda maintained throughout the 2000s. Five strategic pillars guided the IFC: frontier markets (i.e., countries on the edge of the world economy); building local financial markets; private sector growth in
infrastructure, health, and education; public/private partnerships; and, environmental and social sustainability (IFC, 2008). These pillars aligned to its faith in good governance, the free market, and private sector-led growth.

The technical assistance portfolio of the IFC totalled 660 active projects in 2008. Sub-Saharan Africa was the largest recipient with 191 active projects. Its activities were divided between the product lines of access to finance, corporate advice, and business enabling environment (IFC, 2008, 52-62). Of these projects, an internal evaluation concluded that sixty-seven percent were completed with ‘high development results’ (IFC, 2008, 42). In 2010, its advisory portfolio rose to 736 active projects valued at US$859 million, with 226 new projects being approved during the year (IFC, 2010e, 11-12). Its activities were concerned with increasing the availability and affordability of financial services and liberalising business climates (IFC, 2010f, 11-12).

The provision of technical assistance by the MIGA was minimal during this time. This is because the FIAS took over its advisory services. One notable change for the MIGA, however, was that it discontinued FDInet in July 2011. This occurred because the Group affiliate decided to concentrate its knowledge services through its PRI-Centre (the Political Risk Insurance Centre, an information portal established in 2006 that offered free access to online political risk management and insurance resources) and its annual World Investment and Political Risk Report. This was a considerable change as the MIGA turned away from matters of FDI and streamlined its persona as a specialist in political risk management for private investment disputes.

The FIAS broadened and deepened its technical assistance during this time. After taking over the advisory services of the MIGA, it focused on orienting economies towards private sector-led growth and FDI. From these focuses came its numerous technical assistance product lines, including access to finance, alternative dispute resolution, business licensing and taxation, employing workers, enforcing contracts, protecting investors, public/private dialogue, registering property, regulatory governance, starting a business, and trade and logistics (FIAS, 2010b). These advisory product lines ensured ease of business operation and secured market-led and private sector-led growth, affirming (once again) Toby Carroll’s (2012) position on “deep
marketisation” or the Group’s pursuit of its augmented neoliberal agenda by circumventing that state and dealing directly with the private sector. The state was to act only as a facilitator for the private sector, with private enterprises increasingly being the recipients of the FIAS’ advisory services.

The FIAS also launched several flagship reports and note series, all with the intent of reviewing regulation, investment promotion, and business reform. In 2010, it revealed the Investing Across Borders report and database that compared FDI regulation in eighty-seven countries and provided investment competitiveness recommendations to national governments (FIAS, 2010b, 33). It also continued its Investment Climate IN PRACTICE note series that examined trade logistics, investment promotion and incentives, business taxation, and customs regulation (FIAS, 2010b, 33), as well as contributing ‘to 57 of the 287 reforms making it easier to do business reported in Doing Business 2010’ (FIAS, 2009, vi). The FIAS was becoming an increasingly active knowledge source on private investment and business environments.

The PPIAF was similarly oriented towards divesting national development to the private sector, with its goal of building and strengthening public/private infrastructure partnerships through technical assistance. Sub-Saharan Africa was consistently the main recipient of its advisory services. The PPIAF also launched its Sub-National Technical Assistance Program in 2007, which was created to help sub-national governments improve their credit lines and engage more effectively with market-based infrastructure financing (PPIAF, 2010, 30). In addition, the PPIAF published research reports as part of its global knowledge management portfolio. This included Gridlines (brief notes focusing upon emerging trends in public/private partnerships), Trends and Policy Options (policy-driven research), and Working Papers (case studies, conference papers, and informal research) (PPIAF, 2008, 44). Although not an affiliate or a subsidiary of the Group per se, the PPIAF still contributed to the reputation of the Bretton Woods institution as the Knowledge Bank and its “truth” that “development” could best be achieved by the private sector.

The private sector arm and the World Bank reinforced the position held for over a decade that the public sector needed to divest leadership of national development to the private sector. Through training, policy reform, research
publications, and online services, the Group was attempting to convince its developing member countries of the necessity of private sector-led growth. A challenge was however about to emerge. The 2008 GFC led to questions about the utility of surrendering control of “development” to market forces.

The 2008 Global Financial Crisis

The 2008 GFC, the most severe financial crisis afflicting the world economy since the Great Depression, was a significant departure from the 1997 Asian Financial Crisis, especially as its roots emanated from the world’s leading economy: the United States. As Joseph Stiglitz argued, ‘What was different about this crisis from the multitude that had preceded it during the past quarter century was that this crisis bore a “Made in the USA” label’ (2010, 1). Given the current level of global interdependence, this produced a ripple effect, destabilising developed and developing countries both. In contrast, the developed world was largely sheltered from the Asian Crisis. This led to great concern in 2009 as the consequences for developing countries were at first overlooked by the news media and academia. To illustrate the nature of this concern, the majority of the developed world combated the GFC via stimulus programs. Developing countries, lacking the capital reserves of the developed, were incapable of running double-digit deficits without hollowing out and destroying their national currencies; they could not combat this “Made in the USA” problem in the same manner as developed countries. Zoellick accordingly argued that it would be an ‘error of historic proportions’ to overlook the developing world (cited in Dombey and MacKenzie, 2008).

For developing countries, 2009 was a disaster. Yet, as an important caveat, the GFC was a mixed event, with some developing regions – East Asia, for example – being less affected than others were. Nonetheless, forecast projections revealed a pessimistic situation. World Bank data concluded that an additional fifty-three million people were to live on less than US$1.25 a day, twenty million more people were expected to become unemployed, and growth was forecast to drop by four points to 1.2 percent. In addition, the world economy was predicted to decline by 2.9 percent, global output shrunk for the first time in sixty years, trade in goods and services was projected to fall by ten percent (the largest drop in eighty years), and
industrial production fell by an unprecedented thirteen percent (World Bank, 2009b, 12-13). Developing countries were clearly in a precarious situation.

The immediate origins of the crisis were found in the American subprime mortgage market in 2007. The toxicity of the market led to a financial crisis in early 2008, with investment banks and mortgage lenders becoming unsustainably leveraged (Sachs, 2008a). With the bankruptcy of such financial juggernauts as Lehman Brothers in September 2008, the system went into freefall, with credit market freeze-ups, capital reversals, and equity market and exchange rate declines (World Bank, 2010a). From the financial crisis sprang social problems, including unemployment and poverty spikes, which led to a humanitarian crisis (World Bank, 2009b; Greenspan, 2010, 201; Arner and Schou-Zibell, 2011, 136). In the developing world, this worsened the global food and fuel crisis afflicting countries since 2006.

Beyond its immediate origins, the subprime mortgage crisis only exposed the risk-laden environment of the unregulated global investment market. A consequence of the decades-long neoliberal unfettering of financial markets, Joseph Stiglitz laid the blame on a web of culprits, from gambling financial institutions taking excessive risks, to waylaid ratings agencies incorrectly accrediting loans, to toothless regulators incapable of stabilising the perilous situation (2010, 6). Jeffrey Sachs linked the crisis to the sharp decline in American interest rates following the September 2001 terrorist attacks, a condition the Federal Reserve maintained, encouraging banks to become highly illiquid and intensifying acute inflationary pressures (2008a). Similarly, the Executive Director of the Australian Treasury Macroeconomic Group David Gruen listed several systemic factors, including the absence of oversight, the integrated fragility of financial systems, perverse incentives promoting short-term gains over long-term stability, and the 1999 repeal of the American Glass-Steagall Act (2009, 3-5). While alone any one of these factors may not have been dangerous, combined what emerged was a situation of an extremely fragile, highly leveraged, and integrated global financial system without effective risk control of protection for consumers. As Sachs (2008b) concluded, ‘the international financial system is broken’.
In addition to its practical implications, the GFC arguably created a short-lived ideological crisis for neoliberalism. In the words of Martin Wolf, the Financial Times Chief Economics commentator, ‘Another ideological god has failed. The assumptions that ruled policy and politics over three decades suddenly look as outdated as revolutionary socialism’ (2009). Major crises in the world economy have often produced a new common sense. From the Asian Crisis, came the post-Washington Consensus, testing the Wolfensohn presidency by undermining the rhetoric of market fundamentalism. Since the GFC, similar talk has furthered the backlash against market-centricism, at times emerging from the most unlikely of places. Former IMF Managing Director Dominique Strauss-Kahn remarked at George Washington University in April 2011 that, ‘Before the crisis, we thought we knew how to manage economies pretty well ... This all came crashing down with the crisis. The Washington Consensus is now behind us’ (2011). Zoellick offered a similar sentiment in 2009: ‘The old order is gone. We should not waste our time and tears lamenting it. Today we must build anew. Today we can put in place the foundations for a “New Normal” of growth and responsible globalisation’ (2009, 5). The rhetoric arguably moved beyond market fundamentalism, turning towards a more responsible state/market balance (Deeg and O’Sullivan, 2009, 732; Rogers, 2010, 11). The latest consensus is an amalgam of neoliberalism with an increased role for state regulation.

The Response of the World Bank Group

The GFC was the widest reaching event the Bretton Woods institution has yet faced. Throughout its history, landmark events have altered the way in which it has pursued its development assistance program. The 1997 Asian Financial Crisis undermined market fundamentalism, while the 2008 GFC led to further questioning of neoliberalism. Yet, an unexpected consequence also arose from the GFC. It re-instilled within the Bretton Woods institution a renewed sense of purpose, which had arguably waned since suffering criticism during the Asian Crisis. This new purpose led to a growth in its role and purpose as the leading knowledge-based development institution. The response of the Group to the 2008 GFC is divided into three sections: the strategic, the financial, and the establishment of new initiatives responses.
Formulated in late 2008 and early 2009, the strategic response of the Group followed a focus on three main objectives: protecting the most vulnerable, maintaining long-term infrastructure programs, and sustaining the potential for private sector-led growth and employment creation, with an emphasis on small- and medium-enterprises (World Bank IEG, 2009b, 7). To achieve these objectives, the Group integrated the responses of the World Bank, the IFC, and the MIGA, emphasising financial assistance and technical assistance to guide financial restructuring. Similar to the Asian Crisis, the main theme addressed was financial and private sector development (US$9.6 billion in 2009 and US$17.7 billion in 2010), the only theme of eleven to receive more than US$8.5 billion each year (World Bank, 2010d).

The financial response of the Group resulted in the largest commitment of loans and credits in its history. While committing less finance than the IMF in 2009 and 2010 (US$129 billion, compared to US$219 billion), the Group disbursed more (US$81 billion, compared to US$67 billion) (World Bank IEG, 2011, 19). Total IBRD commitments rose from US$13.5 billion in 2008, to US$32.7 billion in 2009, and to US$44 billion in 2010. In contrast, the IDA increased more conservatively: US$11.2 billion, US$14.3 billion, and US$14.5 billion. Juxtaposed against the Asian Financial Crisis, World Bank commitments in 1998 and 1999 peaked at US$29 billion and US$28.6 billion respectively (World Bank, 2010d, ii). World Bank lending operations in 2010 were more than double that of IBRD and IDA commitments approved during the entirety of the second largest financial crisis the Group has ever faced.

Given the finances involved, and since it was the IBRD (mandated to assist middle-income and credit-worthy low-income countries) and not the IDA (mandated to assist only the poorest countries) that provided the largest commitments, the majority of those receiving financial assistance were not poor countries. This was an outcome similar to its response in 1998 and 1999. The overall point being is that while its perceived mismanagement of the Asian Crisis led to severe criticism, the Group was far more active and involved during the 2008 GFC, but yet did not receive the same amount of condemnation. It is important to understand why this was the case, and one reason can be found in its use of DPLs during 2009 and 2010, and not SALs.
The transition from adjustment to development policy lending played a key role in distancing the Group’s response to the GFC from the Asian Crisis, especially given that DPLs comprised the bulk of its activities. DPLs annually averaged US$21 billion in 2009 and 2010, up from US$6.7 billion during the three previous years. In contrast to the SALs of the Asian Crisis, the DPLs provided during the 2008 GFC were designed to stabilise economies, while ensuring equitable growth and the preservation of social safety nets. There was also evidence of measures to improve financial, banking, and private sector regulation. Technical assistance reinforced these measures, through surveys, training, consultation, oversight, and capacity building initiatives.

Europe and Central Asia received several large DPLs. Latvia received the *Financial Sector Development Policy Loan* (2009) and the *First Special Development Policy Loan: Safety Net and Social Sector Reform Program* (2010). Both DPLs were complementary and pursued the dual objectives of maintaining long-term financial stability, while implementing safeguards to minimise the social impact of the crisis. This included advisory assistance to amend insolvency frameworks for corporate and mortgage debts and to strengthen financial supervision and regulation. Poland received three DPLs between 2008 and 2010. Comparable to the Latvian loans, these DPLs were complementary, balancing financial stabilisation with social cost mitigation. Technical assistance components were organised to improve the quality and efficiency of public finances, protect vital investment programs, reorganise labour policy along market lines, strengthen the business environment, and sustain social services (Poland, 2008; Poland, 2009; Poland, 2010). Croatia (2010), Hungary (2009), and Ukraine (2009) received near identical loans.

East Asia and the Pacific received two large DPLs, the recipients being two of the countries receiving assistance during the Asian Crisis: Indonesia and Thailand. These loans were larger than the SALs committed between 1997 and 1999. Indonesia received the US$2.0 billion *Public Expenditure Support Facility Development Policy Loan* (2009) and Thailand received the US$1.0 billion *Public Sector Reform Development Policy Loan* (2010). Their aim was to mitigate the impact of the GFC by improving public finance governance, monitoring, transparency, and accountability, by enhancing public sector skills and performance, and by improving the quality of social and poverty
protection services, thereby building social stability. Technical assistance attempted to design and implement reforms pursuant to the above aims, to train key personnel, and to conduct crisis impact surveys. These DPLs were thus not that different from other loans provided over the previous decade.

Latin America and the Caribbean received three significant DPLs, all quite similar to those provided to Europe and Central Asia. Mexico (2009), Brazil (2010), and Colombia (2010) were the recipients. The US$1.5 billion loan to Mexico, epitomising the regional response, conformed quite closely to the post-Washington Consensus by building regulatory and monitoring frameworks for fiscal stability, ensuring the efficiency and competitiveness of the labour market, promoting trade liberalisation, and establishing social safety net protection initiatives. Technical assistance included in these DPLs addressed capacity and institution building and policy and legislative reform.

The establishment of new initiatives response was the most unique change vis-à-vis its response to the Asian Financial Crisis. Utilising the collaborative relationships between its affiliates, the Group synchronised its response to the GFC and created a series of persistent bodies (IFC, 2009a; IFC, 2009b; IFC, 2010a; IFC, 2010b; IFC, 2010c; IFC, 2010d). The following is a short list of several of these initiatives, which the IFC organised and the World Bank supported through the provision of financial and technical assistance:

- **Debt Asset Recovery Program**: established in 2009 to make direct foreign investments to businesses needing to restructure their debt;
- **Global Agriculture and Food Security Program**: an initiative launched as a mechanism to assist global pledges to strengthen food security;
- **Global Trade Liquidity Program**: established in 2009 to increase the available global credit for trade in and between developing countries;
- **IFC Capitalisation Fund**: founded in February 2009 to support banks vital to the financial systems of emerging market economies; and,
- **Infrastructure Crisis Facility**: created to ensure the availability of long-term debt to support private infrastructure projects affected by capital shortages arising from the uncertain environment of the GFC.
In addition, the World Bank established the *Vulnerability Financing Facility* (designed to channel rapid support to protect the poor and vulnerable) and the IFC devised *Joint Action Plans* in collaboration with other development agencies (IFC, 2009d; IFC, 2009e; IFC, 2009f; World Bank, 2009b). Three *Joint Action Plans* – to Sub-Saharan Africa, Central and Eastern Europe, and Latin America and the Caribbean – were established in mid 2009. Their aim was to merge global resources to assist those countries most affected (and forgotten) during and after the GFC. For the above regions, the *Joint Action Plans* were unmistakably conceived to facilitate trade, strengthen the capital base of banks, improve infrastructure, and encourage microfinance lending. The IFC used its knowledgeware to convince recipients of the legitimacy of its *Joint Action Plans*, thereby laying the groundwork for post-crisis reform.

As the widest reaching event challenging the Bretton Woods institution to date, the Zoellick presidency achieved the remarkable in expanding the role of the Group in its wake. Not only did the crisis lead to a growth in its role and purpose, but also the GFC arguably revived its standing as the leading knowledge-based development institution, adding legitimacy to its meta-paradigm. As a result, the Group was left in a favourable position upon the retirement of Zoellick in June 2012, an opportunity incumbent President Jim Yong Kim has profited from by pushing for a more inclusive, interactive, responsive, knowledgeable, and socially-conscious Group than ever before.

**Conclusion**

The Wolfensohn, Wolfowitz, and Zoellick presidencies have left an indelible mark on the Group and its ability to shape particular development “truths”. Beginning with Wolfensohn, who introduced the CDF, the Knowledge Bank, and the cancer of corruption, his decade-long tenure continues to resonate today, influencing policy and institutional actions long after his retirement. Next came the lacklustre Wolfowitz years, which kept the Group in neutral gear through no frills leadership and (alleged) unethical conduct. Wolfowitz did however further accentuate the importance of private sector-led growth. The Zoellick presidency, while taking a page from Wolfensohn, managed to renovate the longstanding agenda, particularly in terms of revitalising the Bretton Woods institution in the wake of the 2008 GFC. In the end however,
the Group has remained fixed in its developmental mentality over the past decade. While discarding, adopting, or augmenting particular elements, its loyalty to the “comprehensive” post-Washington Consensus did not waver.

The Group’s technical assistance portfolio revealed this loyalty, especially in terms of knowledgeware attempting to empower developing countries, while at the same time subtly implying the legitimacy of its neoliberal agenda. No longer limited to surveys, training, and policy reform, the Knowledge Bank 2.0 used new mediums to persuade others to accept and adopt its “truths”.

Chapter Eight – Hardware, Software, Knowledgeware concludes this thesis. It reflects upon the changes the Group has experienced, it locates technical assistance within the development discourse, it proposes the contributions made by this thesis, and it suggests where future analysis can one day lead.
Chapter Eight

Hardware, Software, Knowledgeware

[The] ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else ... Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back ... [Soon] or late, it is ideas, not vested interests, which are dangerous for good or evil (Keynes, 1936, 383-384).

“Development” is a creation, an interpretation, and a social construct. It is but a series of normative positions that change over time and that depend upon the worldview of the observer. “Development” does not just happen. Constant reinforcement and deliberate action are required to “improve” the economic, political, social, and environmental bases of developing countries. While maintaining the modernisation presumption that progress equates to adopting that which the developed argue is required to become “modern”, the hegemonic “truth” of the mainstream discourse has fluctuated over the past six decades, changing alongside the rise and fall of two core projects. The idea of “development” is thus a faith, a belief that its proponents hold as unquestionable, even when it is evolving and undergoing seismic change.

The Group, as the leading knowledge-based development institution, has played a role in constructing, projecting, and legitimising two core projects and their orthodox conceptualisations of “development”. At the epicentre of the respective “truths” of the Bretton Woods and neoliberal core projects, the Group has contributed to defining what “development” is and how best to achieve it. Providing financial and technical assistance to its member countries, it has coerced and persuaded those countries to accept and adopt particular understandings through its loans, credits, projects, and programs.

“Development” may be just a series of normative positions, but the Group has contributed to the stability of its prevailing orthodoxy. From the state-led infrastructural- and industrial-based decades of the 1950s and 1960s, to the poverty-alleviating social conscience of the 1970s, to the neoliberal turn of the 1980s, to the good governance campaign of the 1990s, to the current
private sector-led post-Washington Consensus, it has supported particular “truths” throughout the decades. Being both shaper of and shaped by the mainstream discourse, it has affected – for good or ill – the global dialogue on “development”. Technical assistance has been important to this end. It has used hardware, software, and knowledgeware to persuade its recipients that its diagnosis of and prescriptions for their “improvement” is legitimate.

An institutional study analysing the evolution of Group technical assistance from 1946 to 2010, this thesis contextualised its gradual expansion in terms of crises in the world economy, shifting intellectual movements in academic and policy circles, and changes in the mission, organisational structure, and leadership of the Group itself. Beginning with the hypothesis that technical assistance reinforces the mainstream discourse via its implied scientific, objective, and value-neutral nature dissuading challenges to the prevailing orthodoxy, this thesis posed two questions: *Has Group technical assistance contributed to the construction, projection, and legitimisation of the mainstream development discourse? If so, how?* This thesis concludes that technical assistance has contributed to creating development “truths”, and it has done so by its ability to persuade recipients and define structures in such a way as to make particular understandings appear as common sense. Technical assistance convinces recipients to accept and adopt “truths” that are far from objective or value-neutral. The advisory services of the Group attempt to build institutional and human resource capacity to alter mindsets and create structures tied to whatever latest “truth” it wants to popularise.

As an important caveat, this thesis has not intended to deny the agency of developing countries by excluding commentary on their acceptance (or their rejection) of Group technical assistance. It has simply attempted to point out the considerable intellectual and structural influence the Group controls as the world’s leading development institution. The focus has been on the projection of its ideas, and not their reception by its member countries. In addition, this thesis has not addressed in detail the successes (or failures) of Group technical assistance. Although aware of the shortcomings facing technical assistance, the thesis has not focused on them. A comprehensive study of decades of success rates would be beyond the scope of this thesis.
Beginning from a constructivist framework, this thesis adopted the ideas of several theorists broadly locatable within the discipline of IPE. Joseph Nye’s soft power (Nye, 1990a; Nye, 2004), Susan Strange’s knowledge as a form of structural power (Strange, 1988; Strange, 1991), and Robert Cox’s neo-Gramscian musings on ideational hegemony (Cox, 1981; Cox, 1983) were all drawn upon for a simple purpose. What these theorists have in common are similar understandings of the capacity of particular actors to persuade others to accept the legitimacy of their ideas. This is the argued intrinsic quality of technical assistance; its implied scientific, objective, and value-neutral nature has a subtle legitimacy that conditions attached to financial assistance lack. This analysis saw technical assistance as a form of power whereby exercising actors are able to embed particular understandings as common sense. In addition, Robert Wade and Robin Broad’s art of paradigm maintenance (Wade, 1996; Broad, 2006) was modestly expanded to explain how the Group’s meta-paradigm is projected, and Thomas Kuhn’s analysis on crises leading to paradigm shifts (Kuhn, 1970) was used to conceptualise how core projects rise and fall. This theoretical framework added rigour to the analysis of how technical assistance reinforced the development “truths” that the Group disseminated during the Bretton Woods and neoliberal eras.

Hardware, software, and knowledgeware have defined technical assistance over the past six decades. The latter two were symptomatic of the Group’s evolution into a development institution and its turn towards neoliberalism. The expansion of the Group’s advisory services was the result of numerous factors, from the increasing interventionism of its policy prescriptions to its reorientation as a knowledge hub for “development”. Hardware ensures the technical quality of lending operations, software supervises the restructuring of societies, and knowledgeware claims to allow countries to “develop” on their own. Yet, with all three manifestations, technical assistance serves to communicate knowledge and practices that the Group regards as necessary to encouraging economic growth, persuading recipients to accept and adopt its understandings of what “development” is and how it is to be achieved. Surveys, studies, institution development, capacity building, consultation, training seminars, and online websites are not coercive loan conditions, and hence are much more persuasive tools to change the mindsets of recipients.
While hardware remained important throughout the decades, the turn towards software was the decisive moment for Group technical assistance. Despite gradually emerging during the 1970s as the Group reconceptualised its understandings of “development”, software only became dominant upon the introduction of the neoliberal core project and the launch of adjustment lending. The Group held that in order to implement neoliberal prescriptions effectively, software had to build institutions and capacity to ensure that recipients pursued the “correct” policies. Soft technical assistance was a tool to disguise neoliberalism behind its implied scientific, objective, and value-neutral nature. This conceivably then led to reciprocal causality, whereby embedding neoliberal norms in governance structures led to the broader acceptance of neoliberalism by the elite of developing countries. Although software was not intrinsically neoliberal, the emergence of the neoliberal core project led the Group to project neoliberal norms through its software.

The Group was not alone in attempting to legitimise the respective “truths” of the Bretton Woods and neoliberal core projects. It is reasonable to argue that it was relatively less important than other actors were, and perhaps better regarded as a second-tier instrument persuading the acceptance and adoption of Keynesian and neoliberal norms in developed and developing countries. The IMF, the World Trade Organisation, the United Nations, the regional development banks, and the ministries, departments, research institutes, policy centres, think tanks, universities, and private enterprises of numerous countries contributed to maintaining the normative orthodoxy of the world economy, often operating in close collaboration with the Group.

The Group nonetheless played an active role in constructing, projecting, and legitimising (specifically) the worldwide diffusion of neoliberal norms. Soft technical assistance in particular persuasively attempted to “sell” the free market to developing countries. By building institutions and by influencing mindsets, software had a notable impact on changing the internal structures of developing countries, on reshaping relations between global social forces, and by facilitating the reconfiguration of the capitalist world economy along neoliberal lines. Institutions arguably remain built and mindsets arguably remain influenced even after a loan, credit, project, or program concludes. The Group was not simply attempting to make a single country neoliberal,
but rather the entire developing world. It thus contributed to the global reorientation of the economic, political, social, and environmental bases of the world economy along neoliberal lines. This was the broader impact of its technical assistance upon the world economy over the past six decades, as a vehicle attempting to embed particular “truths” in developing countries by persuading its recipients to accept and adopt particular ways of “improving”.

Eight chapters comprised this thesis. The first and second chapters outlined the theoretical framework and historical narrative necessary to understand the evolution of Group technical assistance. In Chapter One – The Technical Side of Development Truths, attention centred upon the research focus and question, theoretical framework, literature review, and methodology. In Chapter Two – Origins and History, discussion turned to an illustration of and critical commentary on the Group and the Bretton Woods and neoliberal core projects. The term “evolution” was oft repeated, which emphasised the gradual changes that the world economy, the core project, the development discourse, the Group, and technical assistance underwent over the past six decades. The aim of these chapters was to provide a lens through which to understand technical assistance. The remaining chapters of this thesis were divided into eras defined by crises in the world economy. This was however more a narrative tool than an accurate portrayal of historical change. The reality was far more complex, fluid, and not as neat as suggested by these chapters. Even so, the chronological approach was useful to understand the slow emergence of hardware, software, and knowledgeware, and thus the ability of the Group to construct, project, and legitimise particular “truths”.

In Chapter Three – The Age of Hardware, the focus was on the progression of the Group from an investment bank (concerned with financing large-scale infrastructural and industrial projects), to a development bank (concerned with a broadened conceptualisation of “development”, including agriculture, education, and debt relief), then to a development institution (concerned equally with financing and knowledge) between 1946 and 1973. By evolving into a development institution, it was able to influence development theory and practice. Under the presidencies of Eugene Meyer, John McCloy, Eugene Black, and George Woods, hardware dominated the technical assistance portfolio of the Group, a trend that would change significantly under Robert
McNamara. This thesis argued that only during the 1970s as a development institution had the Group grown influential enough to shape the mainstream development discourse, a consequence of its financial assistance, emergent software, and research program. Prior to the 1970s, its technical assistance was limited to ensuring the successful implementation of loans and credits from the World Bank and the IFC. While projecting the “truth” of the time – state-led infrastructural, industrial, and agricultural growth, Group technical assistance was arguably underutilised. This changed under McNamara, when technical assistance came to address the framing of economic policies and the building of institutions, and thereby becoming a tool to persuade its member countries to accept and adopt the “correct path” to “development”.

In Chapter Four – Poverty and Adjustment, analysis began by introducing poverty-based lending and the new social conscience of the Group. In the years between September 1973 and August 1982, software ascended from obscurity to become the defining embodiment of Group technical assistance, a consequence of the qualitative changes argued as necessary to alleviate poverty. Technical assistance became more sophisticated, legitimising those “truths” which the Group determined to be crucial to “solving” poverty. With its new social conscience, financial and technical assistance portfolios, and research program, it became a lodestar for the mainstream discourse. At the same time, and alongside the collapse of the Bretton Woods monetary regime, the discarding of Keynesianism, and the global economic turbulence exacerbated by the 1973 and 1979 Oil Shocks, the mainstream discourse underwent revision. State-led growth was losing popularity, challenged by its market-based alternative. By the close of the decade, neoliberalism had become the new core project, epitomised by the introduction of structural adjustment lending in 1980 and the replacement of McNamara with Alden Winship Clausen in 1981. From this point onwards, the Group regarded soft technical assistance as instrumental to securing neoliberal reform through institution and human resource development. Under Clausen and Barber Conable, the Group abandoned state-led development and placed its faith in the market. Software ensured that its member countries also did the same.

In Chapter Five – The Neoliberal Age, discussion turned to the lost decade for development, an era defined by neoliberal financial adjustment in the
developed and developing worlds. With poverty-based lending and its social conscience discarded, the Group used adjustment loans to ensure that its member countries “got the prices right”. To “develop”, countries now had to align their economies to the market. The “adjusting” of the Group led to the “softening” of technical assistance, with software becoming fundamental to implementing and maintaining neoliberal reforms. While SALs and SECALs prescribed neoliberal conditionalities, Clausen-era technical assistance was arguably more important to embedding neoliberal common sense. Software sought to convince recipients to accept and adopt free market policies via the institutionalisation of national expertise along neoliberal lines. Group technical assistance had become neoliberal-technical assistance. Despite the attempts by Conable in the late 1980s to revitalise poverty alleviation and to bring a human face to adjustment, the neoliberal core project remained.

In Chapter Six – Transition and Governance, the years between the collapse of the Soviet Union and the aftermath of the 1997 Asian Financial Crisis saw the pairing of neoliberal financial adjustment to liberal political reform. The controversial pursuit of good governance – accountability, transparency, and efficiency – defined the Group during the presidencies of Lewis Preston and James Wolfensohn. With the largely unopposed global spread of liberal capitalist ideals following the end of the Cold War, both the Group and the IMF praised the value and necessity of financial and political adjustment. “Development” no longer simply required “getting the prices right”, but now also “getting the politics right”. At the same time, the Group marketed itself as the Knowledge Bank, declaring that it was the source of development knowledge. Software neatly coupled to both governance and knowledge, with its advisory services geared towards neoliberal capacity building via training. Finance alone was no longer enough to achieve “development”. By providing training, the Group was attempting to change mindsets, pursuant to neoliberal understandings of what “development” meant, rather than simply persuading policy reform. Yet, with the 1997 Asian Financial Crisis, neoliberalism came under increasing opposition. For the Group, this led to an uncertain period of self-crisis. To reinvent itself and to scour its tainted legitimacy, the Group began to entertain the reformist ideas of the post-Washington Consensus, which culminated in the establishment of the CDF.
Chapter Seven – The Knowledge Bank 2.0 concluded the historical narrative on Group technical assistance by observing the presidencies of Wolfensohn, Paul Wolfowitz, and Robert Zoellick. Following its self-crisis induced by the Asian Crisis, the Group attempted to renew its mission through the CDF, the “comprehensive” approach to development assistance that linked the post-Washington Consensus, private sector-led growth, good governance, the Virtual World, and empowerment. The Internet became a persuasive tool during this decade, with technical assistance emerging as knowledgeware. Improved access, connectivity, and interactivity through its online resources led to a greater ease of digestion of its neoliberal message, thus arguably reinforcing its legitimacy. The easier it is for recipients to grasp and engage with its ideas, the easier it is for recipients to accept and adopt its “truths”. Reinforcing an adaptive version of neoliberalism, which argued that the public sector should divest control over “development” to the private sector, knowledgeware became a new way for the Group to construct, project, and legitimise the mainstream development discourse. Technical assistance had grown, while remaining true to the Group’s meta-paradigm. In conclusion, following its response to the 2008 GFC, the Group arguably revitalised its global reputation as the leading knowledge-based development institution, upholding the ideational hegemony of the incumbent neoliberal core project.

The contribution of this thesis has been to analyse the persuasive potential of the Group as an agent of the Bretton Woods and neoliberal core projects, playing a role in legitimising particular normative assumptions about the “correct” way to “improve” developing countries. While the literature on the Group has often discussed the coercive imposition of conditionalities, the equally important factor to consider is persuasion. Therein is the importance of technical assistance to critical discussion. As the transfer and adaptation of ideas, knowledge, practices, technologies, and skills arguably leads to the normative reconceptualisation of what constitutes the “improvement” of developing countries, technical assistance requires critical discussion. This is particularly so given the brevity of academic literature on the subject. The contribution of this thesis is thus as an analysis of a largely uncharted field in a well-documented discussion. Consequently, this thesis can serve as a jumping-off point for future research seeking to analyse the influence of the Group and its technical assistance upon its developing member countries,
notably on why and how those countries accept and adopt its ideas, and the practical ramifications of those ideas restructuring institutions and mindsets.

In conclusion, “development” is not an absolute. It exists only as far as its advocates allow. Group technical assistance, through its slow evolution from hardware, to software, to knowledgeware, has reinforced the deliberate creation of the mainstream discourse. As the pendulum has swung from the state to the market and from infrastructural growth to policy reform, the Group has sought to embed the orthodox agenda via its advisory services. While its loans and credits have had an impact on its member countries, its technical assistance portfolio has played a far more persuasive role, for it has arguably contributed to establishing a developmental common sense. To repeat the clichéd analogy used in Chapter One – The Technical Side of Development Truths, technical assistance teaches people how to catch a particular fish by using a particular rod, a particular reel, and a particular line, cast into a particular pond. While “development” is not an absolute, the Group has nevertheless attempted to persuade others of the legitimacy of its evolving and flexible “truths” that are far from objective or value-neutral.
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Poland (2010) *Development Policy Loan 03* (Project ID P117666; Approval Date: 17-JUN-2010; US$1,331.3 million).

Rwanda (2006) eRwanda Project (Project ID: P098926; Approval Date 07-SEP-2006; US$10 million).


Sierra Leone (1993) Structural Adjustment Credit (SAC) Project (Project ID: P002424; Approval Date 14-OCT-1993; US$50.8 million).


Sudan (1983) Second Agricultural Rehabilitation Program (Project ID: P002588; Approval Date 16-JUN-1983; US$50 million).


Tanzania (1980) Technical Assistance Project (02) (Project ID: P002734; Approval Date 08-AUG-1980; US$11 million).


Thailand (1999b) Public Sector Reform Project (Project ID P056522; Approval Date 14-OCT-1999; US$400 million).
Thailand (2010) Public Sector Reform Development Policy Loan (Project ID: P114154; Approval Date 18-NOV-2010; US$1,000 million).

Togo (1983) Structural Adjustment Loan Project (01) (Project ID: P002844; Approval Date 17-MAY-1983; US$40 million).


Turkey (1981) Structural Adjustment Loan Project (02) (Project ID: P008938; Approval Date 12-MAY-1981; US$300 million).

Turkey (1982) Structural Adjustment Loan Project (03) (Project ID: P008943; Approval Date 27-MAY-1982; US$304.5 million).

Turkey (1983) Structural Adjustment Loan Project (04) (Project ID: P008948; Approval Date 23-JUN-1982; US$300.8 million).


Turkey (2010) Restoring Equitable Growth and Employment Programmatic Development Policy Loan (Project ID: P112495; Approval Date 23-MAR-2010; US$1,300 million).


Zambia (1986) *Technical Assistance Project (02)* (Project ID: P003193; Approval Date 01-APR-1986; US$8 million).
